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Nos. 07-1123, 07-1168, 07-1172, 07-1173, 07-1174, 07-1177, 07-1178, 07-1179
(consolidated)

IN THE UNITED STATES COURT OF APPEALS
FOR THE DISTRICT OF COLUMBIA CIRCUIT

INTERCOLLEGIATE BROADCASTING SYSTEM, et al.
Appellants,

v.

COPYRIGHT ROYALTY BOARD,
Appellee,

SOUNDEXCHANGE, INC. and NATIONAL ASSOCIATION OF BROADCASTERS,

Intervenors.

APPEAL FROM THE DETERMINATION OF
THE COPYRIGHT ROYALTY BOARD

FINAL JOINT OPENING BRIEF FOR NONCOMMERCIAL BROADCASTERS

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August 7, 2008

b. Intervenors and Amici: No intervenors or amici appeared before the Copyright Royalty Board.

2. The parties, intervenors, and amici before this Court are as follows:

a. Appellants:

AccuRadio, LLC
Bonneville International Corp.
Collegiate Broadcasters, Inc.
DiMA
Digitally Imported, Inc.
Harvard Radio Broadcasting Co., Inc.
Intercollegiate Broadcasting System, Inc.
National Public Radio, Inc. (including its member stations and all Corporation for Public Broadcasting-qualified stations)
National Religious Broadcasters Music License Committee
National Religious Broadcasters Noncommercial Music License Committee
Radio Paradise, Inc.
Radioio.com LLC
Royalty Logic, Inc.

b. Appellee:

Copyright Royalty Board

c. Intervenors:

National Association of Broadcasters (in support of Appellants)
SoundExchange, Inc. (in support of the Copyright Royalty Board)

d. Amici:

Noncommercial Broadcasters are unaware of any amici at this time.

B. Rulings Under Review

Noncommercial Broadcasters seek review of the order issued by the Board on March 2, 2007, published in the Federal Register on May 1, 2007 as Digital Performance Right in Sound Recordings and Ephemeral Recordings, Final Determination of Rates and Terms, Docket No. 2005-1 CRB DTRA, 72 Fed. Reg. 24,084 (May 1, 2007) (J.A._71), and amended on May 30, 2007 at 72 Fed. Reg. 29,886 (May 30, 2007) (J.A._901) ("Determination"). Noncommercial Broadcasters also seek review of the Board's April 16, 2007 denial of rehearing of its March 2, 2007 order (J.A._896).

C. Related Cases

This case was not previously before this Court or any other court. There are a total of eight related cases pending before this Court, all of which have been consolidated under docket number 07-1123 by order of this Court dated June 1, 2007. They include:

- Intercollegiate Broadcasting System, Incorporated, A Rhode Island Non-Profit Corporation and Harvard Radio Broadcasting Company,

Inc., a Massachusetts Eleemosynary Corporation v. Copyright Royalty Board, No. 07-1123;

- Royalty Logic, Inc. v. Copyright Royalty Board, No. 07-1168;
- Digital Media Association v. Copyright Royalty Board, No. 07-1172;
- National Public Radio, Inc. v. Copyright Royalty Board, No. 07-1173;
- AccuRadio LLC, et al. v. Copyright Royalty Board, No. 07-1174;
- Collegiate Broadcasters, Inc. v. Copyright Royalty Board, No. 07-1177;
- National Religious Broadcasters Noncommercial Music License Committee v. Copyright Royalty Board, No, 07-1178; and
- National Religious Broadcasters Music License Committee and Bonneville International Corp. v. Copyright Royalty Board, No. 07-1179.

In a February 19, 2008 review of the Board's determinations setting rates and terms under the sections 112 and 114 statutory licenses for preexisting subscription services, preexisting satellite digital audio radio services, and certain types of new subscription services, the Register of Copyrights recently commented in dicta that she believed that the Board had erred in this case in construing its statutory obligation regarding the rates for so-called "ephemeral" recordings under

the section 112 statutory license. 73 Fed. Reg. 9,143, 9,143 & n.1 (Feb. 19, 2008). The Register did not raise this issue in the current proceeding or intervene in this appeal within the time permitted, nor do Noncommercial Broadcasters raise the issue on appeal here.

D. Deferred Appendix

The parties are using a deferred joint appendix.

Respectfully submitted,

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August 7, 2008

CORPORATE DISCLOSURE STATEMENT: NATIONAL RELIGIOUS BROADCASTERS NONCOMMERCIAL MUSIC LICENSE COMMITTEE

Appellant the National Religious Broadcasters Noncommercial Music License Committee ("NRBNMLC"), appellant in No. 07-1178, is the noncommercial arm of the National Religious Broadcasters Music License Committee ("NRBMLC"). The NRBMLC, in turn, is a standing committee of the National Religious Broadcasters ("NRB"), a trade association representing more than 1,300 radio and television stations, program producers, multimedia developers, and related organizations around the world. The NRB is a non-profit corporation that has no parent companies, and no publicly held company has a 10% or greater ownership interest in the NRB. The purpose of the NRBNMLC is to represent the interests of religious noncommercial radio stations in issues of music licensing. Many of the stations represented by the NRBNMLC have simulcast their programming over the Internet pursuant to the 17 U.S.C. §§112 and 114 statutory licenses at issue in the decision by the Board challenged in this proceeding.

The NRBNMLC was a party to and an active participant in the proceeding that led to the Board's decision, which was dated March 2, 2007, published in the Federal Register on May 1, 2007 at 72 Fed. Reg. 24,084 (J.A._71), and amended on May 30, 2007 at 72 Fed. Reg. 29,886 (J.A._901).

CORPORATE DISCLOSURE STATEMENT: COLLEGIATE BROADCASTERS, INC.

Appellant Collegiate Broadcasters, Inc. ("CBI") is a tax-exempt not-for-profit organization, under section 501(c)(3) of the Internal Revenue Code. CBI's mission is to represent students involved in radio, television, webcasting and other media ventures; ensure a commitment to education and the student pursuit of excellence through active involvement in electronic media; promote cooperative efforts between CBI and other national, regional and state media organizations; facilitate the discussion of issues related to student operated electronic media.

CBI, by and through its undersigned attorneys, certifies that it has not issued shares to the public, and has no parent companies, subsidiaries, or affiliates that have issued shares to the public. Thus, no publicly held company can own more than 10% of stock in CBI.

CBI was a party to and an active participant in the proceeding that led to the Board's decision, which was dated March 2, 2007, published in the Federal Register on May 1, 2007 at 72 Fed. Reg. 24,084 (J.A._71), and amended on May 30, 2007 at 72 Fed. Reg. 29,886 (J.A._901).

CORPORATE DISCLOSURE STATEMENT: NATIONAL PUBLIC RADIO, INC.

National Public Radio ("NPR"), appellant in No. 07-1173, is a not-for-profit corporation that produces and distributes noncommercial news, talk, and entertainment programming. It has no parent companies, and no publicly traded company holds a 10% or greater ownership interest. NPR is also a membership organization of separately licensed and operated public radio stations across the United States, collectively they are NPR Member Stations. Corporation for Public Broadcasting qualified stations are noncommercial educational stations which meet criteria established by the Corporation for Public Broadcasting ("CPB") to receive funding from CPB. Many of these stations are members of NPR; the remainder are other public radio stations similar to NPR member stations.

NPR was a party to and an active participant in the proceeding that led to the Board's decision, which was dated March 2, 2007, published in the Federal Register on May 1, 2007 at 72 Fed. Reg. 24,084 (J.A._71), and amended on May 30, 2007 at 72 Fed. Reg. 29,886 (J.A._901).

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GLOSSARY

1998_CARP_ Report	The report of the Copyright Arbitration Royalty Panel in the 1996-1998 proceeding to set rates for the public performance of musical works by certain noncommercial public broadcasters, including NPR, under the section 118 statutory license for the term January 1, 1998 to December 31, 2002, found at Report of the Copyright Royalty Arbitration Panel, Docket No. 96-6 CARP-NCBRA (July 22, 1998) (J.A._3,310).
2002_CARP_ Report	The report of the Copyright Arbitration Royalty Panel in the 2001-2002 proceeding to set rates under the section 112 and 114 statutory licenses for eligible nonsubscription and new subscription services for the term October 28, 1998 through December 31, 2004, found at Report of the Copyright Arbitration Royalty Panel, Docket No. 2000-9 CARP DTRA 1& 2 (Feb. 20, 2002) (J.A._514).

Aggregate Tuning Hours, or ATH	As set forth in 37 C.F.R. §380.2, the total hours of programming that a licensee has transmitted during the relevant period to all listeners within the United States from all channels and stations that provide audio programming consisting, in whole or in part, of eligible nonsubscription transmissions or noninteractive digital audio transmissions as part of a new subscription service, less the actual running time of any sound recordings for which the Licensee has obtained direct licenses apart from 17 U.S.C. §114(d)(2) or which do not require a license under United States copyright law. By way of example, one ATH represents one hour of programming transmitted to one listener.
APA	The Administrative Procedure Act, as set forth in scattered sections of Title 5 of the United States Code.
Board	The Copyright Royalty Board, the body consisting of the three Copyright Royalty Judges authorized by Congress in 17 U.S.C. §801 to perform a variety of functions, including setting rates and terms under various statutory licenses. The Board is appointed by the Librarian of Congress and is the entity that issued the Determination.
CARP	A Copyright Arbitration Royalty Panel, the predecessor bodies to the Copyright Royalty Board. CARPs were *ad hoc* panels of arbitrators charged with setting royalty rates for the statutory licenses now entrusted to the Board, and their determinations were subject to review by the Librarian of Congress.

CBI	Collegiate Broadcasters, Inc., a group of college-affiliated noncommercial radio stations that participated in the proceeding below and is an Appellant here and one of the authors of this brief.
Determination	The final determination in this proceeding made by the Copyright Royalty Board setting rates and terms for the sections 112 and 114 statutory licenses for public performances and ephemeral reproductions of sound recordings by eligible nonsubscription and new subscription services. The Determination was published at 72 Fed. Reg. 24,084 (May 1, 2007) (J.A._71) and amended at 72 Fed. Reg. 29,886 (May 30, 2007) (J.A._901) and is the subject of review in this case. The rates were codified at 37 C.F.R. §380.3.
DiMA	The Digital Media Association, a trade association of commercial webcasters that participated in the proceedings below and is an Appellant here.
IBS	The Intercollegiate Broadcasting System, a nonprofit tax-exempt membership organization of noncommercial, educationally affiliated stations. IBS participated in the proceeding below and is an Appellant here and one of the authors of this brief.
Interactive Service	A service that enables a member of the public to receive a transmission of a program specially created for the recipient, or on request, a transmission of a particular sound recording, whether or not as part of a program, which is selected by or on behalf of the recipient, as defined in 17 U.S.C. §114(j)(7).

Joint_Noncomm_ PFF	Joint Noncommercial Proposed Findings of Fact, Submitted by National Public Radio, Inc., Corporation for Public Broadcasting-Qualified Stations, the National Religious Broadcasters Noncommercial Music License Committee, and Collegiate Broadcasters, Inc. in the proceeding below on December 12, 2006 (J.A._2,482).
Librarian_PSS_ Determination	The determination of the Librarian of Congress in the 1996-1998 Preexisting Services CARP proceeding setting rates and rates for the section 112 and 114 statutory licenses for preexisting subscription services for the period commencing June 1, 1998, found at *Determination of Reasonable Rates and Terms for the Digital Performance of Sound Recordings*, 63 Fed. Reg. 25,394 (May 8, 1998).
Noncommercial Service, or Noncommercial Webcaster	As set forth in 37 C.F.R. §380.2(h), a licensee that makes eligible digital audio transmissions and (a) is exempt from taxation under section 501 of the Internal Revenue Code of 1986 (26 U.S.C. 501); (b) has applied in good faith and based on commercially reasonable grounds to the Internal Revenue Service for such exemption; or (c) is operated by a State or possession or any governmental entity or subordinate thereof, or by the United States or District of Columbia, for exclusively public purposes.
Noncommercial Broadcasters	Noncommercial terrestrial radio broadcaster representatives participating in this proceeding – namely: CBI, IBS, WHRB, NPR, and the NRBNMLC.

Noninteractive Service	A service that does not meet the definition of Interactive Service set forth in 17 U.S.C. §114(j)(7).
NPR	National Public Radio, Inc., a producer and distributor of noncommercial news, talk, and entertainment programming that serves audiences in partnership with independently owned and operated noncommercial stations. NPR, including its member stations and Corporation for Public Broadcasting-qualified public radio stations (collectively, "public radio stations"), participated in the proceeding below and is an Appellant here and an author of this Brief.
NPR Agreement	The agreement between NPR and SoundExchange for statutory licenses under sections 112 and 114 for the term October 28, 1998 to December 31, 2004, dated November 13, 2001 and admitted into the record as SERV-D-X_157 (J.A._3,035).
NRBNMLC	The National Religious Broadcasters Noncommercial Music License Committee, a committee that represents the interests of religious and other mixed-format noncommercial radio stations in music licensing matters. The NRBNMLC was a participant in the proceeding below and is an Appellant here and one of the authors of this brief.
Performance	Each instance in which any portion of a sound recording is publicly performed to a Listener by means of a digital audio transmission, as defined in 37 C.F.R. §380.2(i), excluding the transmissions identified in that section.

PCL	Proposed Conclusions of Law of the identified party or parties filed in the proceeding below.
PFF	Proposed Findings of Fact of the identified party or parties filed in the proceeding below.
RB	A group of commercial terrestrial radio stations that participated in the proceedings below as "Radio Broadcasters" and are Appellants here.
Recordkeeping Requirements	The obligations of statutory licensees to maintain records of and report their use of sound recordings to SoundExchange pursuant to 37 C.F.R. Part 370.
RPFF	Reply Proposed Findings of Fact of the identified party or parties filed in the proceeding below.
Section 112 Statutory License	The statutory license under section 112 of the Copyright Act for the making of ephemeral reproductions of sound recordings to facilitate performances made under the Section 114 Statutory License.
Section 114 Statutory License	The statutory license under section 114 of the Copyright Act for the public performance of sound recordings via digital audio transmission by certain types of services.
SoundExchange, or SX	SoundExchange, Inc., the collective, formerly a division of the Recording Industry Association of America, representing copyright owners and performing artists in the administration of the statutory licenses at issue here. SoundExchange was a participant below and is an intervenor here.

Streaming	The activity of transmitting audio content over the Internet.
SX_Ex._203_RP	A "Corporate Underwriting Kit" from NPR station WAMU, admitted as a SoundExchange exhibit attached to its rebuttal case below (J.A._502).
SX_Trial_Ex._67	A 2004 NPR "Music Webcasting Report," admitted as a SoundExchange trial exhibit in the proceeding below (J.A._2,887).
SX_Trial_Ex._68	A 2004 NPR Annual Report, admitted as a SoundExchange trial exhibit in the proceeding below.
Tr.	A citation from the transcript of the hearings below, identified by date as well as page and line number.
Webcaster_I	The opinion of the Librarian of Congress reviewing the 2002 CARP Report, found at Determination of Reasonable Rates and Terms for the Digital Performance of Sound Recordings and Ephemeral Recordings; Final Rule, 67 Fed. Reg. 45,239 (July 8, 2002) (J.A._902).
WHRB	Harvard Radio Broadcasting Company, Inc., a Massachusetts eleemosynary corporation, which holds the license from the Federal Communications Commission for Station WHRB (FM) and is staffed by undergraduate students at Harvard College. WHRB participated in the proceeding below and is one of the Appellants here and authors of this brief.

WDT	Written Direct Testimony of the identified witness, submitted during the direct phase of the proceeding below.
WRT	Written Rebuttal Testimony of the identified witness, submitted during the rebuttal phase of the proceeding below.

JURISDICTIONAL STATEMENT

The Determination is the Board's final decision in Docket No. 2005-1 CRB DTRA, published at 72 Fed. Reg. 24,084 (May 1, 2007) (J.A._71). The Board had subject matter jurisdiction pursuant to 17 U.S.C. §§801(b)(1) and 803(c). This Court has jurisdiction pursuant to 17 U.S.C. §803(d)(1) and (3) and may modify or vacate the Determination and "enter its own determination with respect to the amount ... of royalty fees and costs, and order the repayment of any excess fees ... and the payment of interest pertaining respectively thereto, in accordance with its final judgment." *Id.* §803(d)(3). Noncommercial Broadcasters timely filed notices of appeal as follows: IBS/WHRB: May 3, 2007; NPR: May 30, 2007; NRBNMLC and CBI: May 31, 2007. *Id.* §803(d)(1).

ISSUES PRESENTED

1. Did the Board act arbitrarily, capriciously, and without record support by rejecting the flat-fee NPR Agreement as a benchmark for Internet sound recording performance fees by noncommercial noninteractive nonsubscription broadcasters and instead accepting usage-based benchmark agreements by commercial interactive, subscription, Internet-only webcasters?

2. Did the Board commit legal error and act arbitrarily, capriciously, and without record support by failing to adhere to the statutory requirement to set different rates for different types of services when it imposed a usage-based

streaming fee on noncommercial broadcasters above a certain audience level based on alleged competition with commercial services instead of the statutory willing-buyer/willing-seller standard?

3. Did the Board act arbitrarily, capriciously, and without record support by imposing a $500 minimum per-channel fee on noncommercial services to cover SoundExchange's administrative costs, absent any evidence of SoundExchange's actual administrative costs as to them?

4. Did the Board act arbitrarily, capriciously, and without record support by declining to set recordkeeping terms for noncommercial services in this proceeding, contrary to undisputed evidence that noncommercial services have limited abilities to comply with stringent recordkeeping requirements?

STATUTES AND REGULATIONS INVOLVED

Pertinent statutes and regulations are included in Addendum A.

STATEMENT OF THE CASE

A. Nature of the Case

This appeal arises from the first-ever royalty determination by the Board, which Congress created in 2004 to replace the predecessor CARPs and charged with setting rates and terms for various statutory licenses, absent voluntary agreements. 17 U.S.C. §801(b).

Sections 112 and 114 of the Copyright Act create statutory licenses allowing digital transmission services to make public performances of copyrighted sound recordings and ephemeral copies to facilitate those performances. The Board is required to establish rates and terms "that most clearly represent the rates and terms that would have been negotiated in the marketplace between a willing buyer and a willing seller." 17 U.S.C. §§112(e)(4); 114(f)(2)(B). In so doing, the Board must "distinguish among the different types of eligible nonsubscription transmission services then in operation." *Id.* §114(f)(2)(B).

This appeal seeks review of the Board's Determination of rates and terms under these licenses for 2006-2010. A prior determination by the CARP and Librarian of Congress, reviewed by this Court, set rates and terms under these licenses for October 28, 1998 through 2004; Congress later extended those rates through 2005. 2002_CARP_Report (J.A._514); *Webcaster_I* (J.A._902); Pub. L. No. 108-419, §6(b)(3), 188 Stat. 2,341, 2,370 (2004). That determination set rates for noncommercial services that were one-third the rates for commercial services. *Webcaster_I* 45,259 (J.A._922).

B. Course of Proceedings

Direct cases were filed below on October 31, 2005, and hearings were held from May-August 2006. Rebuttal cases were filed on September 29, 2006, and hearings were held in November 2006. The Board issued its determination on

March 2, 2007. Motions for rehearing were denied on April 16, 2007. The final Determination was published in the Federal Register on May 1, 2007 (J.A._71), and amended on May 30, 2007 (J.A._901).

C. Disposition Below

The Board adopted as a benchmark for all services – commercial and noncommercial – agreements with commercial interactive subscription Internet-only webcasters. Determination 24,092 (J.A._80). Using that benchmark, it set per-Performance rates for *all* services increasing from $0.0008 to $0.0019 per-listener-per-song from 2006-2010, and a $500 per-channel minimum fee. *Id.* at 24,100 (J.A._88). The only relief for noncommercial services was allowance to stream 159,140 monthly ATH for the minimum fee before instituting the commercial usage rates. *Id.*

STATEMENT OF FACTS

A. Types of Participant Services; Differential Treatment of Noncommercial Services in Prior Proceedings

Diverse webcasting services participated below, including large and small commercial Internet-only webcasters, commercial radio broadcasters, and noncommercial radio broadcasters. Noncommercial Broadcasters constituted a distinct type of service as the only nonprofit services participating in the case. In the 2002 CARP proceeding that first set webcasting royalties, noncommercial services did not participate prominently due to funding limitations.

2002_CARP_Report 89-90 (J.A._608-09). Nevertheless, the CARP found that setting identical rates for noncommercial and commercial services "affronts common sense" and adopted noncommercial usage rates at one-third those set for commercial services.[1] 2002_CARP_Report 89, 94. (J.A._608, 613). Noncommercial Broadcasters, believing even those reduced rates too high, actively participated below and created an extensive evidentiary record.

B. Unique Traits of Noncommercial Broadcaster Appellants

Appellant Noncommercial Broadcasters represent over-the-air radio stations that simulcast sound recording performances over the Internet. Stern_WDT 3 (J.A._161); 8/2/06_Tr._136:13-137:11 (J.A._446); 8/2/06_Tr._288:19-21 (J.A._456); Kass_WDT ¶¶5-7 (J.A._123-24); Stern_WDT 5-6; (J.A._163-64); Johnson_WDT ¶5 (J.A._1,050). They encompass diverse stations, including small educational, religious, and public radio stations. Noncommercial broadcasters are nonprofit organizations and therefore are subject to federal regulations requiring them to advance some educational, religious, or charitable mission and forbidding them under the terms of their noncommercial broadcast licenses from accepting advertising like a commercial service. Johnson_WDT ¶5 (J.A._1,050);

[1] Congress gave further relief from those rates through the Small Webcaster Settlement Act ("SWSA"), under which separate – and lower – noncommercial rates were negotiated, but by law, they cannot be cited or relied upon here. 17 U.S.C. §114(f)(5)(C). Because noncommercial broadcasters were forced to accept those rates or the higher statutory rates, or stop streaming, they considered even the SWSA rates to exceed willing-buyer/willing-seller rates. Johnson_WDT ¶31 (J.A._1,059-60); 8/1/06_Tr._118:22-119:7 (J.A._3304).

Stern_WDT 4, 11 (J.A._162, 166); Robedee_WDT ¶46 (J.A._110); 8/1/06_Tr._35:7-36:19 (J.A._3,299); 6/27/06_Tr._63:6-8; (J.A._414); IBS_PFF ¶2 (J.A._765); Determination 24,098 (J.A._86). Regardless of size or sophistication, each station's objective is not revenue or audience maximization, but to create and distribute programming of intrinsic value. 8/2/06_Tr._168:16-169:6 (J.A._449-50); 11/8/06_Tr._253:1-18 (J.A._707); Johnson_WDT ¶14 (J.A._1,053); Stern_WDT 3-5 (J.A._161-63); Johnson_WDT ¶¶4, 7, 9, 14 (J.A._1,050-53); 8/1/06_Tr._15:6-15 (J.A._3,296); Kass_WDT ¶8 (J.A._124-25); 8/2/06_Tr._283:3-284:4 (J.A._454-55); Stern_WDT 4-5 (J.A._162-63); 6/27/06_Tr._291:3-17 (J.A._418).

Because of their mission-based focus and restrictions placed upon them, noncommercial services have very different sources of funding than commercial services. Whereas commercial services rely entirely upon advertising or subscription revenue for support, noncommercial services receive no advertising revenue at all.[2] Johnson_WDT ¶10 (J.A._1,052); Stern_WDT 10 (J.A._165); 6/27/06_Tr._64:19-66:9 (J.A._414); 8/1/06_Tr._16:5-13, 33:5-35:6, 41:22-42:19 (J.A._3,296, 3,298-301). Instead, they must rely on listener donations, corporate sponsorship and underwriting, fees from programming providers for carrying their programming, university funds, and public funds. Kass_WDT ¶7 (J.A._124);

[2] Perhaps 5% of IBS-affiliated 501(c)(3)-tax-exempt college stations operate under commercial radio licenses and sell some advertisements for educational purposes. 8/7/06_Tr._20:4-19 (J.A._463).

Willer_WDT ¶14 (J.A._120); 8/2/06_Tr._280:20-281:2, 281:18-282:4 (J.A._454); Robedee_WDT ¶42 (J.A._109); 6/27/06_Tr._65:2-16 (J.A._414); Determination 24,098 (J.A._86). Noncommercial Broadcasters' total funding bears little relationship to music use or audience size. Johnson_WDT ¶29 (J.A._1,058); 6/27/06_Tr._230:1-3 (J.A._417). Many noncommercial stations struggle to meet annual budgets. 8/1/06_Tr._29:2-11, 38:14-41:18 (J.A._3,297, 3,300); 6/27/06_Tr._65:19-66:9 (J.A._414). Small, educationally-affiliated noncommercial stations typically are staffed entirely by volunteers, with average annual radio station budgets of $9000, and some as little as $250. Kass_WDT ¶¶9-11 (J.A._125-26); 8/7/06 Tr. 20-22, 82-83, 115-16 (J.A._463, 466, 469); Papish_WDT ¶4 (J.A._153-54); Robedee_WDT ¶¶42-43 (J.A._109). Webcasting operations (whether simulcast or online-only) have even fewer resources. Robedee_WDT ¶45 (J.A._110).

C. Noncommercial Fee Proposals

All Noncommercial Broadcasters proposed rates with a flat-fee structure. NPR proposed a flat lump-sum payment of $80,000 that would apply to approximately 1,000 NPR and CPB-qualified stations. Stern_WDT 13 (J.A._168). Other Noncommercial Broadcasters proposed per-station annual flat fees from $25 to $200. 8/7/06_Tr._34:18-37:9 (J.A._464-65); 8/1/06_Tr._162:20-163:11 (J.A._3,306); Determination 24,090 (J.A._78).

It is critical for Noncommercial Broadcasters, as willing buyers, to enter into predictable flat-fee arrangements; much of their funding comes from sources, like university funds, that do not increase with listenership in the way that commercial services' revenues do. Willing sellers, too, have accepted flat-rate deals with noncommercial services. For example, the NPR Agreement provided for a flat rate of $[[ ]] for the term October 28, 1998 to December 31, 2004 for nearly 1,000 stations. NPR Agreement §3.1 (J.A._3,040); 6/27/06_Tr._146:2-150:19 (J.A._415-16).

SoundExchange presented no separate rate proposal for noncommercial services. Instead, its two economist witnesses each presented a benchmark proposal on which SoundExchange's one-size-fits-all fee proposal was based. Both witnesses specifically disavowed the applicability of their analyses to noncommercial services. *See* Brynjolfsson_WDT 6 (J.A._272) ("It does not make sense to set a market rate based on webcasters who are not primarily driven by market concerns."); Pelcovits_WDT 5 (J.A._979) (stating that his model assumes willing buyers are "commercial entities fully motivated to maximize profits"); 5/16/06 Tr. 221:6-222:5 (J.A._1,208-09). Nevertheless, SoundExchange asked the Board to set rates based on these benchmarks for noncommercial and commercial services alike, and the Board adopted the Pelcovits model as the basis for usage

rates applicable to large-audience noncommercial services. Determination 24,095-96, 24,100 (J.A._83-84, 88).

D. The Board's Decision

The Board found that noncommercial services with small audiences constituted a "different type" of service entitled to a different rate under the statute but assumed that noncommercial services with large audiences did not. Determination 24,098 (J.A._86). It determined that noncommercial stations that exceed a monthly threshold of 159,140 ATH should pay the same usage rates as commercial services for the overage (a per-Performance rate of $.0008 in 2006, rising to $.0019 in 2010) in addition to a universally applicable $500 minimum per-channel fee. Determination 24,100 (J.A._88). It applied this usage fee based not on any analysis of how noncommercial characteristics affect the statutory willing-buyer/willing-seller rate-setting standard but on its belief that noncommercial stations above that threshold compete with commercial services for audience, "obviating the need for a separate lower royalty rate." *Id.* at 24,098 (J.A._86). The Board set the $500 minimum fee based on its perception that such a fee covered SoundExchange's administrative costs (as SoundExchange proposed this amount) rather than on any evidence concerning what SoundExchange's per-channel administrative costs actually are. *Id.* at 24,096, 24,099 ("[W]e are provided with little evidence of the administrative cost per licensee.") (J.A._84,

87). The Board accepted evidence of the burdens imposed on noncommercial stations by its interim sound recording reporting requirements but refused to provide necessary relief. *Id.* at 24,109-10 (J.A._97-98).

In setting these rates, the Board agreed with the parties that an ideal benchmark would involve the same buyers, the same sellers, and the same right but rejected all benchmarks proposed by the noncommercial services, including a prior multi-year license between NPR and SoundExchange. Determination 24,092, 24098-99 (J.A._80, 86-87); SX_PCL ¶13 (J.A._748-49); Pelcovits_WDT 11-13, 20, 23 (J.A._985-87, 994, 997); Jaffe_WDT 10-12 (J.A._247-49); 5/15/06_Tr._20:14-21:5 (J.A._1,125). The NPR Agreement – involving the same buyer, sellers, and rights at issue here – included a $[[ ]] lump payment, averaging to between about $[[ ]] and $[[ ]] per station annually (adjusted for inflation), depending on the number of stations counted. NPR_Agreement §§3.1, 6.1 (J.A._3,040, 3,046); *infra* Part III.A.1.c. The Board also rejected proposed benchmarks drawn from the flat-fee royalties noncommercial broadcasters pay for over-the-air musical works performances, which involve the same buyers, similar sellers, and a similar right. Determination 24,098 (J.A._86). The Board rejected these flat-fee noncommercial benchmarks despite its finding that "the most appropriate rate structure for noncommercial services that can be reliably derived

from the record of evidence is an annual flat per-station rate structure." *Id.* at 24,091 (J.A._79).

Instead, the Board set noncommercial nonsubscription noninteractive usage rates based on commercial subscription interactive benchmarks, involving vastly different buyers and rights. *Id.* at 24,095-96, 24,100 (J.A._83-84, 88). For 2006, the $0.0008 per-Performance rate is about four times higher than the statutory $.0002176 Performance fee for October 28, 1998 through 2005; the $0.0019 Performance rate for 2010, the last year of the license term, is nearly nine times the prior rate. *Id.* at 24,100 (J.A._88); *Webcaster_I* 45,273 (J.A._936).

SUMMARY OF ARGUMENT

The statute requires the Board to set rates and terms that most clearly represent those that would have been agreed to between most willing buyers and willing sellers in a hypothetical competitive market. But not all buyers are the same. Noncommercial broadcasters represent distinct types of buyers that would not agree to the same rates as commercial services.

Although the evidence showed and precedent confirmed that noncommercial services deserve a separate rate, the Board established a fee structure that bears no relation to the price noncommercial broadcasters would pay in the marketplace and subjects noncommercial services to the same minimum rates and per-Performance rates above an arbitrary threshold as commercial services. Congress invited the

Board to consider voluntary agreements from similar markets as benchmarks, and the noncommercial services presented the Board with such an agreement, involving the same right, the same seller, and the same type of buyer. But the Board arbitrarily rejected it and instead set rates for noncommercial services based on commercial interactive Internet-only subscription agreements.

The record evidence showed that noncommercial services only would enter into a flat-fee agreement. The Board granted that structure to services with small audiences but even then based the fee not on actual evidence but on SoundExchange's rate proposal. Rather than following the statutory standard by considering evidence of what noncommercial buyers actually have paid for the license at issue, the Board arbitrarily assumed noncommercial services compete against commercial services, based on audience size alone, and assigned the same rates to each. These decisions are contrary to law, arbitrary, and without evidentiary support.

Finally, the Board erred by failing to establish separate recordkeeping requirements for noncommercial services, in contravention of extensive record evidence that noncommercial services are disproportionately burdened by current one-size-fits-all requirements.

STANDING

The parties to this brief fully participated in the proceeding below and represent in music licensing matters noncommercial radio broadcasters who make public performances of sound recordings under section 114(f)(2) and thus are bound by the Board's Determination absent relief from this Court. 17 U.S.C. §803(d)(1). Thus, they have standing to appeal.

ARGUMENT

I. STANDARD OF REVIEW

This Court reviews Board determinations under the APA standard set forth in 5 U.S.C. §706. 17 U.S.C. §803(d)(3). This Court must set aside determinations that are, *inter alia*, "unsupported by substantial evidence," "arbitrary" or "capricious," or "otherwise not in accordance with law." 5 U.S.C. §706(2). Review is no longer under the substantially more circumscribed standard applicable to decisions of the Librarian reviewing predecessor CARPs. *Nat'l Ass'n of Broadcasters v. Librarian of Cong.*, 146 F.3d 907, 918 (D.C. Cir. 1998). Congress rejected that standard when it established the Board and abolished intermediate review by the Librarian in favor of direct APA review by this Court. H.R. Rep. No. 108-408, at 63 (2004) (repealing former section 802(g) and its standard of review).

Review of legal errors by the Board is de novo. 5 U.S.C. §706; *Office of Commc'n of the United Church of Christ v. FCC*, 707 F.2d 1413, 1423 n.12 (D.C.

Cir. 1981). When "the agency's decision is based on an erroneous view of the law, its decision cannot stand." *Transitional Hosps. Corp. of La., Inc. v. Shalala*, 222 F.3d 1019, 1024 (D.C. Cir. 2000) (citation omitted). If an agency misapplies the law to the facts of the case, the standard of review depends upon the "mix" of the question. *Neb. Dept. of Health & Human Servs.* v. HHS, 340 F.Supp.2d 1, 21 (D.D.C. 2004).

An agency acts arbitrarily if, among other things, it:

- "relied on factors which Congress has not intended it to consider";
- "entirely failed to consider an important aspect of the problem";
- "offered an explanation for its decision that runs counter to the evidence"; or
- failed to "examine the relevant data and articulate a satisfactory explanation for its action including a rational connection between the facts found and the choice made."

Motor Vehicle Mfrs. Ass'n v. State Farm Mut. Auto. Ins. Co., 463 U.S. 29, 42 (1983) (quotation marks omitted). "An agency cannot meet the arbitrary and capricious test by treating type A cases differently from similarly situated type B cases," and any agency that does so must adequately explain its action. *Indep. Petroleum Ass'n v. Babbitt*, 92 F.3d 1248, 1260 (D.C. Cir. 1996), *aff'd*, 235 F.3d

588 (2001); *FEC v. Rose*, 806 F.2d 1081, 1089 (D.C. Cir. 1986); *Petroleum Commc'ns, Inc. v. FCC*, 22 F.3d 1164, 1172 (D.C. Cir. 1994).

Courts also must reverse agency action where "such relevant evidence as a reasonable mind might accept as adequate to support a conclusion" does not exist in the record. *Airport Shuttle Serv., Inc. v. ICC*, 676 F.2d 836, 840 (D.C. Cir. 1982) (quotation marks omitted).

II. NONCOMMERCIAL BROADCASTERS ARE A DIFFERENT TYPE OF SERVICE, WHICH THE BOARD MUST TREAT DIFFERENTLY.

Congress expressly commanded the Board to set rates and terms that "*shall distinguish* among the different types of eligible nonsubscription transmission services then in operation." 17 U.S.C. §114(f)(2)(B) (emphasis added). Congress instructed the Board to examine evidence of the differences between types of services and to assess how each would reach an agreement in the marketplace. *Id.*

Noncommercial services are fundamentally different from commercial services and have been subject to different rates since the advent of the statutory license. The CARP that set the first section 112 and 114 rates for nonsubscription webcasters specifically found that "[a]pplying the same commercial broadcaster rate to non-commercial entities affronts common sense." 2002_CARP_Report 89 (J.A._608). That CARP acknowledged and followed the holding of the prior 1998 section 118 CARP that "commercial rates almost certainly overstate fair market

value to Public Broadcasters." *Id.* (quoting 1998_CARP_Report 24) (J.A._608). The 2002 CARP and Librarian followed Congress's mandate by establishing a rate for noncommercial services of one-third the commercial rate. *Id.* at 93-94 (J.A._612-13), *aff'd in pertinent part, Webcaster_I* 45,259 (J.A._922).[3]

The Board here acknowledged that noncommercial broadcasters are such a "different" type of service entitled to different rates and terms, noting their different non-profit missions, and different funding sources. Determination 24,098 (J.A._86).

III. DESPITE ACKNOWLEDGING DIFFERENCES BETWEEN NONCOMMERCIAL AND COMMERCIAL SERVICES, THE BOARD ADOPTED ARBITRARY AND UNSUPPORTED RATES THAT FAIL TO ACCOUNT FOR THOSE DIFFERENCES.

A. The Board Arbitrarily Rejected Flat Fee Noncommercial Noninteractive Nonsubscription Benchmarks in Favor of Commercial Interactive Subscription Benchmarks.

The Board found that voluntary benchmark agreements, if sufficiently comparable to the target market, provide the best starting point for rate-setting under the willing-buyer/willing-seller standard. *See* Determination 24,092 (J.A._80). All parties agreed that the best reference point would be voluntary agreements involving the same buyer, the same seller, and the same right. *Id.* at 24,097 (J.A._85); SX_PCL ¶13 (J.A._748-49); Pelcovits_WDT 11-13, 20, 23

[3] Congress likewise recognized the fundamental differences between commercial and noncommercial broadcasters in enacting section 118, which provides for separate rate-setting for musical work performances by noncommercial broadcasters. 37 C.F.R. §§253.4-253.6.

(J.A._985-87, 994, 997); Jaffe_WDT 10-12 (J.A._247-49); 5/15/06_Tr._20:14-21:5 (J.A._1,125); 6/28/06_Tr._10:2-13:15 (J.A._420).

Congress explicitly authorized the Board to "consider the rates and terms for comparable types of digital audio transmission services and comparable circumstances under voluntary license agreements [for the section 114 statutory license]." 17 U.S.C. §114(f)(2)(B).

1. The Board's Rejection of the NPR Agreement as an Appropriate Benchmark for Noncommercial Services Was Arbitrary, Capricious, and Contrary to Its Own Logic.

Nevertheless, when the Board considered noncommercial services, it inexplicably disregarded its own position and Congress's recommendation on what makes a useful benchmark. The Board recognized that noncommercial services had offered as a benchmark the NPR Agreement but nonetheless rejected it. Its rejection was arbitrary, clear error, and should be reversed.[4]

a. The NPR Agreement Possesses All of the Characteristics of an Ideal Benchmark Identified by the Board and the Parties.

The NPR Agreement is a voluntary marketplace agreement reached between a willing buyer (NPR) and a willing seller (SoundExchange), involving:

- the same rights at issue here.

[4] NPR did not rely upon the NPR Agreement below. It joins the arguments in this Brief to the extent the Board arbitrarily rejected the agreement after admitting it into evidence over SoundExchange's objection.

- the same activity: noninteractive Internet simulcast streaming of radio broadcasts;
- the same seller: SoundExchange and its members.
- the same buyer: NPR, one of the Noncommercial Broadcasters here.

Thus, it is precisely the kind of agreement suggested by Congress, and identified by the Board and the parties, as an appropriate benchmark for noncommercial services. 17 U.S.C. §114(f)(2)(B). NPR represents the subset of noncommercial services that SoundExchange argued most closely resembled commercial services. Determination 24,098 (J.A._86). If SoundExchange considered this agreement reasonable for larger noncommercial services like NPR, it certainly would find it reasonable for smaller ones.

b. The Board's Rejection of the NPR Agreement Was Arbitrary.

The Board's rationale for rejecting the NPR Agreement did not justify its conclusion. It took issue with the fact that, rather than having a per-station, per-year rate, the agreement provided for a one-time lump sum payment covering all stations for just over six years and erroneously criticized the services' reliance on the agreement because of the Board's own error in counting the number of stations to which the agreement applied and because the services' derived rates from the agreement did not consider the time value of money or inflation. *Id.* at 24,098-99 (J.A._86-87). None of these criticisms is a valid basis for rejecting the agreement

as a relevant benchmark. Even if correct, at most they require slight adjustments to the benchmark rate, which still results in a flat fee far below that set by the Board for noncommercial services.

Instead, the Board gave undue credence to a non-analogous benchmark based on licenses to commercial subscription interactive services – as opposed to the *non*commercial, *non*subscription, *non*interactive services covered by the NPR Agreement – and applied a far more questionable and arbitrary adjustment to deduct the largely intangible value of interactivity. *Id.* at 24,092 (J.A._80). The Board's disparate treatment of these two benchmarks by definition constitutes arbitrary decisionmaking. *See supra* Part I.

That the NPR Agreement requires a one-time lump-sum payment rather than per-station or per-year payments, if anything, is confirmation that a flat fee is the only appropriate fee basis for noncommercial stations, not a reason to reject the agreement as a benchmark of value. Computing an average per-station, per-year fee from the lump sum is simple: divide that sum by the number of years and number of covered stations.

Nor is the Board's erroneous statement regarding the number of stations the agreement covered a valid reason for dismissing it. The Board was simply wrong in asserting that the record did not show "how many additional stations beyond the 410 covered in the agreement were to be handled." Determination 24,098

(J.A._86). The agreement, on its face, "covered" *all* NPR member stations, and any other CPB-qualified stations, not just the 410 streaming stations identified as of the execution date. NPR Agreement §1.6 (J.A._3,036). The NPR executive who signed the agreement testified that as of 2004, it covered 798 NPR member radio stations and all CPB-qualified non-member stations. 6/27/06_Tr._146:2-150:19 (J.A._415-16). The undisputed record showed that 75% of NPR member radio stations (approximately 600) were streaming under the agreement in 2004. SX_Trial_Ex._67 at 3 (J.A._2,889). Even so, the number of covered stations only affects the average per-station per-year fee under the agreement, not its validity as a benchmark. Moreover, the Board could have addressed by simple math any concern that the benchmark does not take into account the time value of money. None of the concerns cited by the Board justifies the arbitrary wholesale rejection of a benchmark that meets all of the criteria adopted by the Board for a valid benchmark.

c. Accounting for All the Board's Concerns, the NPR Agreement Supports a Flat, Per-Station, Per-Year Fee of No More than $[[ ]] with CPI Increases.

An upper-bound per-station per-year benchmark fee that accommodates all of the Board's stated concerns is easily calculated from the NPR Agreement; divide the lump-sum fee ($[[ ]]) by the six years of the agreement and the number of covered stations to arrive at a per-station per-year average. Then, an

upper-bound adjustment of 20.91% for overall inflation over the entire license term can be made.[5] Using the Board's count of stations, which is most favorable to SoundExchange, the upper bound of an average per-station, per-year, inflation-adjusted fee is $[[ ]] (=$[[ ]]÷6÷410*1.2091). Using the record's more accurate station count, the fee is $[[ ]] (=$[[ ]]÷6÷798*1.2091). Concerns about future CPI increases may be alleviated by applying forward-looking CPI adjustments. *See* 37 C.F.R. §253.10 (requiring Librarian to issue annual inflation adjustments for section 118 rates).

2. The Board Arbitrarily Rejected Flat-Fee Noncommercial Musical Works Rates as Benchmarks for the Appropriate Fee Structure.

The Board also acted arbitrarily in rejecting as a benchmark the rates paid by noncommercial radio stations for over-the-air musical work performances under section 118 even though those rates involve the same buyers, a very similar seller, the same activity, and a very similar right. Determination 24,098 (J.A._86). While the Board criticized reliance on *the amount* of those rates based on its belief that the amounts paid for the right to perform musical works and sound recordings are

[5] The Consumer Price Index, published by the U.S. Bureau of Labor and Statistics, increased by 20.91% between October 1998, the first month covered by the NPR Agreement, and January 2006, the first month of the current license term. ftp://ftp.bls.gov/pub/special.requests/cpi/cpiai.txt. The Court can take judicial notice of such well-established facts that are "capable of accurate and ready determination by resort to sources whose accuracy cannot reasonably be questioned." Fed. R. Evid. 201(b). The Board's concern about time value of money is misplaced. Determination 24,099 (J.A._87). Payment was made in November 2001, the middle of the Agreement's October 1998 to December 2004 term. NPR Agreement §3.1 (J.A._3,040).

not necessarily equivalent, it offered no justification for rejecting reliance on the fee *structure* of those agreements, which, like the NPR Agreements were flat fees regardless of usage. *Id.* at 24,098 (J.A._86). The Board's refusal to consider these rates as evidence that, at a minimum, supports a flat-fee structure was arbitrary because it failed to "examine the relevant data and articulate a satisfactory explanation for its action including a rational connection between the facts found and the choice made." *Motor Vehicle Mfrs. Ass'n*, 463 U.S. at 43.

B. It Was Arbitrary for the Board To Adopt a $500 Per Station Fee as a Minimum Necessary To Cover SoundExchange's Administrative Costs.

The Board also acted arbitrarily in setting a $500 annual minimum fee for noncommercial services, which was based on unsupported assumptions and contravenes undisputed evidence supporting lower rates.

Because it erroneously rejected the benchmarks that would have resulted in an appropriate flat fee for noncommercial services, the Board chose a fee based solely upon SoundExchange's supposed administrative costs as reflected in SoundExchange's own minimum fee proposal. Determination 24,099 (J.A._87). The record, however, is devoid of evidence indicating what SoundExchange's administrative costs are. The Board essentially admitted as much: "we are provided with little evidence of the administrative cost per licensee." *Id.* at 24,096 (J.A._84). The Board deduced that because SoundExchange was proposing a $500

minimum, that must, at least, cover its administrative costs. *Id.* at 24,097 (J.A._85). But the most that can be inferred from SoundExchange's request for at least $500 from each station is that SoundExchange's administrative costs are *no more than* $500, inclusive of both administrative fees and a royalty; its actual administrative costs may be much lower. There consistently has been no relationship between the minimum fee sought by SoundExchange and its costs. SoundExchange proposed a $5,000 minimum fee for webcasters in *Webcaster_I*, *see* 2002_CARP_Report 27 (J.A._548), and sought minimum fees as high as $50,000 from other services, *Webcaster_I* 45,242 (J.A._905). The Board erred by treating SoundExchange's rate request as evidence.

Second, the Board's assumption that SoundExchange's costs are $500 per channel is contravened by the NPR Agreement. The flat fee in the NPR Agreement, viewed most favorably to SoundExchange, averages out to a per-station per-year inflation-adjusted rate of about $[[ ]]. If SoundExchange was willing to accept such a license fee, it must at least be enough to cover its administrative costs and provide at least some remuneration to its members.[6]

The $500 minimum fee adopted by the Board was the product of arbitrary circular reasoning. The Board had no evidentiary basis to assume a $500 minimum was necessary to cover SoundExchange's administrative costs, and

[6] Moreover, a flat fee structure entails less administration than a performance-based fee.

8/2/06_Tr._168:16-169:6 (J.A._449-50);

- the universities, government, and donors that fund noncommercial services do not base their funding on audience size. Jaffe_NPR_WDT 3-4 (J.A._675-76); Johnson_WDT ¶¶30-31 (J.A._1,059-60);
- they are primarily radio broadcasters and, as such, are more likely to stop streaming altogether rather than accept a high royalty fee, Johnson_WDT ¶23 (J.A._1,056); Coryell_WDT ¶46 (J.A._1,093); Parsons_WDT ¶¶1(B), 52 (J.A._1,067-68, 1,086-87); and
- some stations have such small budgets that they simply cannot afford what commercial services can, Kass_WDT ¶¶9-11 (J.A._125-26); Robedee_WDT ¶42 (J.A._109).

By abdicating its statutory responsibility to analyze how these differential traits affect the willingness of this class of buyers to agree to a particular fee structure, price point, and terms, the Board erred as a matter of law.

3. The Board Acted Arbitrarily in Making Listenership the Sole Measure of Alleged "Convergence."

After basing its convergence theory on asserted competition for audience to the exclusion of all else, the Board then improperly substituted listenership as the *sine qua non* of convergence. *See* Determination 24,100 (J.A._88). Essentially, the Board held that the characteristic that defines the type of service is its audience

size – *i.e.*, number of listeners. This ignores the plethora of far more relevant evidence identified above of the differences affecting the willing-buyer/willing-seller calculus for noncommercial services. There was no record evidence that listenership levels are at all relevant. Focusing on listenership rather than the standard Congress set is, by definition, arbitrary. *Motor Vehicle Mfrs. Ass'n*, 463 U.S. at 43 (agency action is arbitrary if it "relied on factors which Congress has not intended it to consider").

The arbitrariness of the Board's decision is further confirmed by its choice of 159,140 ATH as the specific convergence point. The Board cited no evidence showing that to be the level at which noncommercial services begin to pull audience from or compete with commercial services, or otherwise change the way they would act in a marketplace transaction. Moreover, the number does not even represent the average listenership of NPR stations in 2004, as the Board believed. Determination 24,099-100 (J.A._87-88). The document itself states that 79% of NPR stations were unable to provide ATH data; therefore, the listenership data upon which the Board relied came from only the remaining 21%, revealing nothing about NPR's actual overall listenership. *See* SX_Trial_Ex._67 at CRB-NPR000031 (J.A._2,889). It is an arbitrary point along a meaningless metric.

4. The Evidence Relied Upon by the Board Does Not Remotely Support Its Conclusion.

Even the scant evidence that the Board did cite in support of "competition for listenership" suffers from insurmountable flaws.

a. Cherry-Picked NPR Evidence

Most fundamentally, that evidence related to a few of the largest NPR stations. *See* Determination 24,098-99 (J.A._86-87). The Board recognized that without evidence relating to the largest NPR stations, there would be very little evidence of convergence at all: "[T]he evidence of convergence in the record appears to apply more clearly to the stations at the larger end of the range of NPR station size." *Id.* at 24,099 (J.A._87).

But NPR is the very station group for which there is direct evidence of a flat-fee willing-buyer/willing-seller statutory rate, making no distinctions based on listenership. The NPR Agreement shows that even willing buyers with characteristics that most resemble the Board's conception of convergence would agree with willing sellers to flat-fee rates far below the commercial per-Performance rates set by the Board.

Further, NPR is only one of four independent noncommercial groups participating here. The Board cites virtually no evidence as to the three other college and religious groups, which differ significantly from NPR in that they do not receive public funding. Determination 24,098 (J.A._86). And even as to NPR,

the cherry-picked evidence as to a handful of the largest NPR stations is wholly unrepresentative of the characteristics of NPR as a whole.

For example, the Board's statement that "[s]ome noncommercial stations have adopted programming previously found on commercial stations for use on noncommercial side channels or expanding the use of side channels as music outlets" is based on evidence relating to only four NPR stations. Determination 24,098 (citing SX_PFF ¶¶1117, 1123) (J.A._86). Similarly, the Board's statement that "[s]ome noncommercial stations" distribute materials about the demographics of their audience that resemble commercial stations' advertising pitches is based on only two NPR stations. *Id.* (citing SX_PFF ¶¶1135, 1142) (J.A._86). Moreover, the demographic figures these two stations circulate refer exclusively to the over-the-air audience, and support no conclusions about their online services. *See* SX_Ex._203_RP (J.A._502).

Likewise, the Board's statement that "[s]ponsorships appear to monetize webcasting in a fashion similar to advertising" is based solely on assertions by SoundExchange witnesses that noncommercial broadcasters receive funds through corporate sponsorship – assertions that, in turn, are based solely on evidence relating to NPR stations. Determination 24,098 (citing SX_PFF ¶¶1130, 1134, 1166 (citing 5/2/06_Tr._188-89; Griffin_WDT 49; Brynjolffson_WDT 40; 6/27/06_Tr._227-28; SX_Trial_Ex._68)) (J.A._86). The Board cited no evidence

suggesting that noncommercial services' business models center on building large audiences in order to sell sponsorship opportunities, as commercial services do. Rather, the record shows that noncommercial services do not seek sponsorships directly for their webcasting operations, but, at most, rely on underwriting intended for their terrestrial broadcasts. 8/1/06 Tr. 207:10-208:12 (J.A._3,307). Commercial broadcasters, by contrast, typically must sell separate advertisements solely for their Internet streams even if they have advertisements on a terrestrial radio broadcast. Coryell_WDT ¶15 (J.A._1,092); Parsons_WDT ¶¶18-19 (J.A._1,075-76); Halyburton_WDT ¶17 (J.A._1,100); 7/26/06_Tr._28:9-30:13, 174:19-180:11 (J.A._3,289-92). Moreover, this sponsorship argument was rejected in the 1998 section 118 CARP proceeding as superficial at best. The panel held that commercial advertising and noncommercial underwriting were not comparable because "[i]ncreased programming costs are not automatically accommodated through market forces" for noncommercial services, as they are for commercial services. 1998_CARP_Report 24 (J.A._3,311). Underwriting announcements on noncommercial broadcasters are subject to severe restrictions inapplicable to commercials on commercial radio. 8/1/06_Tr._35:7-36:19 (J.A._3,299).

In sum, the Board's reliance on NPR evidence to support its listenership-based convergence point for all noncommercial services is arbitrary and capricious.

Determination 24,098 (citing SX_PFF ¶1116) (J.A._86). Such a broad assertion is meaningless, as it encompasses anything that occupies a listener's time; it does not show that noncommercial and commercial services compete.

Finally, the Board's reliance on SoundExchange witness Erik Brynjolfsson's unsupported opinion regarding the possibility that noncommercial services compete for and cannibalize commercial webcast listeners also is misplaced. *Id.* at 24,097-98 (citing Brynjolfsson_WRT 40-42) (J.A._85-86). The witness did not even allege that these services actually compete, but merely referred to "potential competition" and cited some NPR data that, as discussed above, is overcome by the marketplace agreement NPR actually made. *Id.* Dr. Brynjolfsson merely described the *theory* of cannibalization, 11/21/06_Tr._257:5-14 (J.A._734), always careful to characterize it as a "risk," not a fact. 11/21/06_Tr._106:16 (J.A._731). Tellingly, although noncommercial services have been paying lower rates for as long as royalties have been collected on the digital sound recording performance right, there is no evidence that even hints at cannibalization. Acting on the basis of perceived competition and cannibalization where the record is devoid of actual supporting evidence cannot withstand APA scrutiny. *Nat'l Fuel Gas Supply Corp. v. FERC*, 468 F.3d 831, 843-44 (D.C. Cir. 2006) ("Professing that an order ameliorates a real industry problem but then citing no evidence demonstrating that there is in fact an industry problem is not reasoned decisionmaking.").

D. Setting the Noncommercial Usage Fee Equal to the Commercial Rate Is Arbitrary, Capricious, and Without Record Support.

Assuming counterfactually that a noncommercial service as a willing buyer would agree to pay a usage-based fee rather than a flat fee, the Board acted arbitrarily, capriciously, and contrary to its mandate to distinguish between different types of services in setting a noncommercial usage fee equal to the commercial usage fee, which, in and of itself, was grossly excessive even as to commercial services, as DiMA's brief explains.

The Board's noncommercial usage rates rely on two bootstrapping arguments. First, as discussed above, the Board cited no evidence indicating that high-listenership noncommercial services are any different from low-listenership ones in their music use or marketplace participation. Determination 24,098 (J.A._86). Moreover, the Board offered no justification for using rates for commercial, interactive, subscription services as a basis for determining rates for noncommercial, non-interactive, non-subscription services. Interactive services are remarkably different buyers – music-centric, profit-driven, and differently funded – and they are buying the right (unavailable under the statutory license) to make on-demand performances of sound recordings. 17 U.S.C. §114(d)(2)(A)(i). The Board did not show whether the adjustments to apply this benchmark to commercial services also were relevant to noncommercial services.

Even SoundExchange's expert witness who proposed the interactive service benchmark specifically stated that this benchmark did not apply to noncommercial services. In fact, Dr. Pelcovits built his analysis on the "assum[ption] that both the willing buyer and willing seller in this hypothetical marketplace are commercial entities fully motivated to maximize profits." Pelcovits_WDT 5 (J.A._979). He flatly admitted his analysis did "not attempt to set separate rates for noncommercial entities or hobbyists that are not seeking to maximize profits." *Id.* at 6 (J.A._980). Thus, it was arbitrary and capricious for the Board to derive fees for any noncommercial services from a benchmark that, according to its proponent, cannot apply to them.

Second, interactive subscription services are a poor, inflated benchmark for rates to be paid even by commercial services, for the reasons explained in more detail in DiMA's opening brief. The Noncommercial Services incorporate those arguments as if set forth fully herein.

IV. THE BOARD ERRED IN REFUSING TO ADOPT SEPARATE RECORDKEEPING REQUIREMENTS FOR NONCOMMERCIAL BROADCASTERS.

Finally, the Board erred by refusing to adopt separate terms for Noncommercial Broadcasters governing their recordkeeping obligations to report their sound recording usage to SoundExchange.[10] The Board expressly allowed

[10] Even under the permissive standard of 17 U.S.C. §803(c)(3), the decision whether to set recordkeeping terms is subject to judicial review. *Dickson v. Secretary of Defense*, 68 F.3d 1396, 1401-02 (D.C. Cir.

"evidence ... of the relative costs to the Services and the Collective associated with recordkeeping." Determination 24,109 (J.A._97). Yet, it did not take into account the evidence presented by Noncommercial Broadcasters establishing that extensive recordkeeping requirements disproportionately burden those services, who have more limited resources than commercial services. Having received evidence demonstrating the disproportionate burden to Noncommercial Broadcasters imposed by extensive recordkeeping requirements, the Board had two options consistent with its mandate: either grant relief from the requirements or account for that evidence in setting rates. In failing to so act, the Board abused its discretion and acted arbitrarily, capriciously, and contrary to its statutory mandate.[11]

While the statute gives the Board discretion whether to set recordkeeping requirements in this proceeding, 17 U.S.C. §803(c)(3), its on-the-record decision to take no action in this proceeding is a final agency action that is reviewable. *Ctr. For Auto Safety v. Nat'l Highway Traffic Safety Admin.*, 710 F.2d 842, 847 (D.C. Cir. 1983) (decision not to set rules was reviewable when it "is intended as a means of choosing the status quo over other reasonable alternatives"); *Envt'l Def. Fund v. EPA*, 852 F.2d 1316, 1324 (D.C. Cir. 1988).

(Continued . . .)
1995).

[11] The NRBNMLC takes no position on Part IV.

In deciding not to set separate recordkeeping terms, the Board acted arbitrarily, capriciously, and in contravention of its statutory mandate because the evidence clearly shows that noncommercial services, as willing buyers, would not agree to the same recordkeeping terms as commercial services. *See NRDC v. Herrington*, 768 F.2d 1355 (D.C. Cir. 1985) (finding agency decision to adopt no standard to be unsupported by substantial evidence). Thus, the Board's decision to take no action violates the willing-buyer/willing-seller standard.

Given the limited financial and logistical resources available to noncommercial and educational webcasters, the extent and scope of reporting requirements influence the rates that a willing buyer would agree to in the marketplace, and perhaps whether it would enter into an agreement at all. 8/2/06_Tr._165:11-166:10 (J.A._449); Johnson_WDT ¶47 (J.A._1,065); Robedee_WDT ¶100 (J.A._115); Papish_WRT 1-3 (J.A._682-84). The burdens imposed by extensive recordkeeping requirements on Noncommercial Broadcasters in relation to their overall resources and compliance capabilities were disproportionately greater than those imposed on commercial, Internet-only webcasters. Indeed, one noncommercial witness testified that if his station were subject to onerous recordkeeping requirements, it would consider streaming only its noncompensable talk programming, or perhaps turning the stream off altogether. 11/13/06_Tr._60:8-61:8 (J.A._710); Johnson_WRT ¶21 (J.A._686).

As radio stations, noncommercial services' operations were not designed to be able to track performances like Internet-only webcasters are, and their smaller budgets and staffs make them less able to comply than even commercial radio stations. 8/1/06_Tr._151:21-152:18 (J.A._3,305); Johnson_WRT ¶21 (J.A._686); Papish_WRT 1-3 (J.A._682-84); Robedee_WDT ¶31 (J.A._106). For example, the small college stations are operated by student volunteers who do not use pre-programmed playlists or programming software, and most have no ability to log or maintain playlist information on computers. 8/2/06_Tr._132:5-134:21, 140:11-19, 144:4-13, 218:2-219:13, 224:1-225:5 (J.A._445, 447-48, 452-53); Kass_WDT ¶13-14 (J.A._126-27); Papish_WDT ¶¶8-11 (J.A._155-56); Papish_WRT 2-3 (J.A._683-84); 11/14/06_Tr._198-212, 259-63 (J.A._720-25).

Economically rational willing sellers, too, would be willing to agree to less extensive and more cost-effective recordkeeping requirements for noncommercial broadcasters given the limited scope of their operations and the amount of royalties at stake. Thus, recordkeeping requirements affect both parts of the willing-buyer/willing-seller standard.

Despite the clear relevance of this recordkeeping evidence to the Board's statutory mandate to apply a willing-buyer/willing-seller standard, the Board completely disregarded it and decided to continue to apply its existing one-size-fits-all recordkeeping requirements to Noncommercial Broadcasters.

Determination 24,109 (J.A._97); *see* 37 C.F.R. §370.3. The Board's inaction is all the more arbitrary and capricious because it based the minimum fee acceptable to the willing seller on its (mistaken) understanding of SoundExchange's administrative costs, while disregarding the impact of recordkeeping administrative costs on the fee acceptable to a noncommercial willing buyer.

The Board claimed that "there is ample opportunity to again address the Services' costs in a future rulemaking," Determination 24,110 (J.A._98), but this justification ignores the dire and potentially irreversible consequences of such a delay. Whereas the terms set in this proceeding are retroactively effective to 2006, terms set via legislative rulemakings generally are prospective only. *Bowen v. Georgetown Univ. Hosp.*, 488 U.S. 204, 208 (1988). Thus, its refusal to act imposes unwarranted costs and burdens on noncommercial services now that arguably never can be remedied. In nearly a year, the Board has done nothing in any recordkeeping rulemaking to address this problem. The Board "entirely failed to consider an important aspect of the problem" and thus committed reversible error. *Motor Vehicle Mfrs. Ass'n*, 463 U.S. at 43.

CONCLUSION

For the foregoing reasons, the Court should modify the Board's Determination in accord with section 803(d)(3) by establishing annual flat per-station fees for noncommercial services that are consistent with the applicable market, including the NPR Agreement, and remand the case to the Board with instructions to adjust the notice and recordkeeping terms and the application thereof consistent with the evidence presented below.

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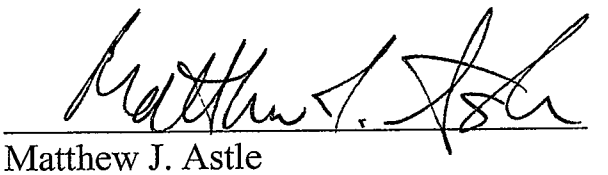
August 7, 2008

CERTIFICATE OF COMPLIANCE

Pursuant to Fed. R. App. P. 32(a)(7)(B) and (C), D.C. Cir. R. 32(a), and this Court's briefing order of November 15, 2007, the undersigned certifies the following:

1. Exclusive of the exempted portions in Fed. R. App. P. 32(a)(7)(B)(iii) and D.C. Cir R. 32(a)(2), this brief contains 8,080 words.

2. This brief has been printed using a proportionally spaced, 14-point Times New Roman typeface, with footnotes in a proportionally spaced, 11-point Times New Roman typeface.



Matthew J. Astle

August 7, 2008

CERTIFICATE OF SERVICE

I hereby certify that two copies of the foregoing Public Version of the Final Joint Opening Brief for Noncommercial Broadcasters were served on August 7, 2008 via first-class mail, with a courtesy copy via electronic mail, on the following:

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ADDENDUM A: STATUTES, PUBLIC LAWS, AND REGULATIONS

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5 U.S.C. § 706

Section 706. Scope of review

To the extent necessary to decision and when presented, the reviewing court shall decide all relevant questions of law, interpret constitutional and statutory provisions, and determine the meaning or applicability of the terms of an agency action. The reviewing court shall—

(1) compel agency action unlawfully withheld or unreasonably delayed; and

(2) hold unlawful and set aside agency action, findings, and conclusions found to be—

(A) arbitrary, capricious, an abuse of discretion, or otherwise not in accordance with law;

(B) contrary to constitutional right, power, privilege, or immunity;

(C) in excess of statutory jurisdiction, authority, or limitations, or short of statutory right;

(D) without observance of procedure required by law;

(E) unsupported by substantial evidence in a case subject to sections 556 and 557 of this title or otherwise reviewed on the record of an agency hearing provided by statute; or

(F) unwarranted by the facts to the extent that the facts are subject to trial de novo by the reviewing court.

In making the foregoing determinations, the court shall review the whole record or those parts of it cited by a party, and due account shall be taken of the rule of prejudicial error.

§112 · Limitations on exclusive rights: Ephemeral recordings[46]

(a)(1) Notwithstanding the provisions of section 106, and except in the case of a motion picture or other audiovisual work, it is not an infringement of copyright for a transmitting organization entitled to transmit to the public a performance or display of a work, under a license, including a statutory license under section 114(f), or transfer of the copyright or under the limitations on exclusive rights in sound recordings specified by section 114 (a) or for a transmitting organization that is a broadcast radio or television station licensed as such by the Federal Communications Commission and that makes a broadcast transmission of a performance of a sound recording in a digital format on a nonsubscription basis, to make no more than one copy or phonorecord of a particular transmission program embodying the performance or display, if—

(A) the copy or phonorecord is retained and used solely by the transmitting organization that made it, and no further copies or phonorecords are reproduced from it; and

(B) the copy or phonorecord is used solely for the transmitting organization's own transmissions within its local service area, or for purposes of archival preservation or security; and

(C) unless preserved exclusively for archival purposes, the copy or phonorecord is destroyed within six months from the date the transmission program was first transmitted to the public.

(2) In a case in which a transmitting organization entitled to make a copy or phonorecord under paragraph (1) in connection with the transmission to the public of a performance or display of a work is prevented from making such copy or phonorecord by reason of the application by the copyright owner of technical measures that prevent the reproduction of the work, the copyright owner shall make available to the transmitting organization the necessary means for permitting the making of such copy or phonorecord as permitted under that paragraph, if it is technologically feasible and economically reasonable for the copyright owner to do so. If the copyright owner fails to do so in a timely manner in light of the transmitting organization's reasonable business requirements, the transmitting organization shall not be liable for a violation of section 1201(a)(1) of this title for engaging in such activities as are necessary to make such copies or phonorecords as permitted under paragraph (1) of this subsection.

(b) Notwithstanding the provisions of section 106, it is not an infringement of copyright for a governmental body or other nonprofit organization entitled to transmit a performance or display of a work, under section 110(2) or under the limitations on exclusive rights in sound recordings specified by section 114(a), to make no more than thirty copies or phonorecords of a particular transmission program embodying the performance or display, if—

(1) no further copies or phonorecords are reproduced from the copies or phonorecords made under this clause; and

(2) except for one copy or phonorecord that may be preserved exclusively for archival purposes, the copies or phonorecords are destroyed within seven years from the date the transmission program was first transmitted to the public.

(c) Notwithstanding the provisions of section 106, it is not an infringement of copyright for a governmental body or other nonprofit organization to make for distribution no more than one copy or phonorecord, for each transmitting organization specified in clause (2) of this subsection, of a particular transmission program embodying a performance of a nondramatic musical work of a religious nature, or of a sound recording of such a musical work, if—

(1) there is no direct or indirect charge for making or distributing any such copies or phonorecords; and

(2) none of such copies or phonorecords is used for any performance other than a single transmission to the public by a transmitting organization entitled to transmit to the public a performance of the work under a license or transfer of the copyright; and

(3) except for one copy or phonorecord that may be preserved exclusively for archival purposes, the copies or phonorecords are all destroyed within one year from the date the transmission program was first transmitted to the public.

(d) Notwithstanding the provisions of section 106, it is not an infringement of copyright for a governmental body or other nonprofit organization entitled to transmit a performance of a work under section 110(8) to make no more than ten copies or phonorecords embodying the performance, or to permit the use of any such copy or phonorecord by any governmental body or nonprofit organization entitled to transmit a performance of a work under section 110(8), if—

(1) any such copy or phonorecord is retained and used solely by the organization that made it, or by a governmental body or nonprofit organization entitled to transmit a performance of a work under section 110(8), and no further copies or phonorecords are reproduced from it; and

(2) any such copy or phonorecord is used solely for transmissions authorized under section 110(8), or for purposes of archival preservation or security; and

(3) the governmental body or nonprofit organization permitting any use of any such copy or phonorecord by any governmental body or nonprofit organization under this subsection does not make any charge for such use.

(e) STATUTORY LICENSE.—(1) A transmitting organization entitled to transmit to the public a performance of a sound recording under the limitation on exclusive rights specified by section 114(d)(1)(C)(iv) or under a statutory license in accordance with section 114(f) is entitled to a statutory license, under the conditions specified by this subsection, to make no more than 1 phonorecord of the sound recording (unless the terms and conditions of the statutory license allow for more), if the following conditions are satisfied:

(A) The phonorecord is retained and used solely by the transmitting organization that made it, and no further phonorecords are reproduced from it.

(B) The phonorecord is used solely for the transmitting organization's own transmissions originating in the United States under a statutory license in accordance with section 114(f) or the limitation on exclusive rights specified by section 114(d)(1)(C)(iv).

(C) Unless preserved exclusively for purposes of archival preservation, the phonorecord is destroyed within 6 months from the date the sound recording was first transmitted to the public using the phonorecord.

(D) Phonorecords of the sound recording have been distributed to the public under the authority of the copyright owner or the copyright owner authorizes the transmitting entity to transmit the sound recording, and the transmitting entity makes the phonorecord under this subsection from a phonorecord lawfully made and acquired under the authority of the copyright owner.

(2) Notwithstanding any provision of the antitrust laws, any copyright owners of sound recordings and any transmitting organizations entitled to a statutory license under this subsection may negotiate and agree upon royalty rates and license terms and conditions for making phonorecords of such sound recordings under this section and the proportionate division of fees paid among copyright owners, and may designate common agents to negotiate, agree to, pay, or receive such royalty payments.

(3) Proceedings under chapter 8 shall determine reasonable rates and terms of royalty payments for the activities specified by paragraph (1) during the 5-year period beginning on January 1 of the second year following the year in which the proceedings are to be commenced, or such other period as the parties may agree. Such rates shall include a minimum fee for each type of service offered by transmitting organizations. Any copyright owners of sound recordings or any transmitting organizations entitled to a statutory license under this subsection may submit to the Copyright Royalty Judges licenses covering such activities with respect to such sound recordings. The parties to each proceeding shall bear their own costs.

(4) The schedule of reasonable rates and terms determined by the Copyright Royalty Judges shall, subject to paragraph (5), be binding on all copyright owners of sound recordings and transmitting organizations entitled to

a statutory license under this subsection during the 5-year period specified in paragraph (3), or such other period as the parties may agree. Such rates shall include a minimum fee for each type of service offered by transmitting organizations. The Copyright Royalty Judges shall establish rates that most clearly represent the fees that would have been negotiated in the marketplace between a willing buyer and a willing seller. In determining such rates and terms, the Copyright Royalty Judges shall base their decision on economic, competitive, and programming information presented by the parties, including—

(A) whether use of the service may substitute for or may promote the sales of phonorecords or otherwise interferes with or enhances the copyright owner's traditional streams of revenue; and

(B) the relative roles of the copyright owner and the transmitting organization in the copyrighted work and the service made available to the public with respect to relative creative contribution, technological contribution, capital investment, cost, and risk.

In establishing such rates and terms, the Copyright Royalty Judges may consider the rates and terms under voluntary license agreements described in paragraphs (2) and (3). The Copyright Royalty Judges shall also establish requirements by which copyright owners may receive reasonable notice of the use of their sound recordings under this section, and under which records of such use shall be kept and made available by transmitting organizations entitled to obtain a statutory license under this subsection.

(5) License agreements voluntarily negotiated at any time between 1 or more copyright owners of sound recordings and 1 or more transmitting organizations entitled to obtain a statutory license under this subsection shall be given effect in lieu of any decision by the Librarian of Congress or determination by the Copyright Royalty Judges.

(6)(A) Any person who wishes to make a phonorecord of a sound recording under a statutory license in accordance with this subsection may do so without infringing the exclusive right of the copyright owner of the sound recording under section 106(1)—

(i) by complying with such notice requirements as the Copyright Royalty Judges shall prescribe by regulation and by paying royalty fees in accordance with this subsection; or

(ii) if such royalty fees have not been set, by agreeing to pay such royalty fees as shall be determined in accordance with this subsection.

(B) Any royalty payments in arrears shall be made on or before the 20th day of the month next succeeding the month in which the royalty fees are set.

(7) If a transmitting organization entitled to make a phonorecord under this subsection is prevented from making such phonorecord by reason of

the application by the copyright owner of technical measures that prevent the reproduction of the sound recording, the copyright owner shall make available to the transmitting organization the necessary means for permitting the making of such phonorecord as permitted under this subsection, if it is technologically feasible and economically reasonable for the copyright owner to do so. If the copyright owner fails to do so in a timely manner in light of the transmitting organization's reasonable business requirements, the transmitting organization shall not be liable for a violation of section 1201(a)(1) of this title for engaging in such activities as are necessary to make such phonorecords as permitted under this subsection.

(8) Nothing in this subsection annuls, limits, impairs, or otherwise affects in any way the existence or value of any of the exclusive rights of the copyright owners in a sound recording, except as otherwise provided in this subsection, or in a musical work, including the exclusive rights to reproduce and distribute a sound recording or musical work, including by means of a digital phonorecord delivery, under section 106(1), 106(3), and 115, and the right to perform publicly a sound recording or musical work, including by means of a digital audio transmission, under sections 106(4) and 106(6).

(f)(1) Notwithstanding the provisions of section 106, and without limiting the application of subsection (b), it is not an infringement of copyright for a governmental body or other nonprofit educational institution entitled under section 110(2) to transmit a performance or display to make copies or phonorecords of a work that is in digital form and, solely to the extent permitted in paragraph (2), of a work that is in analog form, embodying the performance or display to be used for making transmissions authorized under section 110(2), if—

(A) such copies or phonorecords are retained and used solely by the body or institution that made them, and no further copies or phonorecords are reproduced from them, except as authorized under section 110(2); and

(B) such copies or phonorecords are used solely for transmissions authorized under section 110(2).

(2) This subsection does not authorize the conversion of print or other analog versions of works into digital formats, except that such conversion is permitted hereunder, only with respect to the amount of such works authorized to be performed or displayed under section 110(2), if—

(A) no digital version of the work is available to the institution; or

(B) the digital version of the work that is available to the institution is subject to technological protection measures that prevent its use for section 110(2).

(g) The transmission program embodied in a copy or phonorecord made under this section is not subject to protection as a derivative work under this title except with the express consent of the owners of copyright in the preexisting works employed in the program.

§114 · Scope of exclusive rights in sound recordings[48]

(a) The exclusive rights of the owner of copyright in a sound recording are limited to the rights specified by clauses (1), (2), (3) and (6) of section 106, and do not include any right of performance under section 106(4).

(b) The exclusive right of the owner of copyright in a sound recording under clause (1) of section 106 is limited to the right to duplicate the sound recording in the form of phonorecords or copies that directly or indirectly recapture the actual sounds fixed in the recording. The exclusive right of the owner of copyright in a sound recording under clause (2) of section 106 is limited to the right to prepare a derivative work in which the actual sounds fixed in the sound recording are rearranged, remixed, or otherwise altered in sequence or quality. The exclusive rights of the owner of copyright in a sound recording under clauses (1) and (2) of section 106 do not extend to the making or duplication of another sound recording that consists entirely of an independent fixation of other sounds, even though such sounds imitate or simulate those in the copyrighted sound recording. The exclusive rights of the owner of copyright in a sound recording under clauses (1), (2), and (3) of section 106 do not apply to sound recordings included in educational television and radio programs (as defined in section 397 of title 47) distributed or transmitted by or through public broadcasting entities (as defined by section 118(g)): *Provided*, That copies or phonorecords of said programs are not commercially distributed by or through public broadcasting entities to the general public.

(c) This section does not limit or impair the exclusive right to perform publicly, by means of a phonorecord, any of the works specified by section 106(4).

(d) LIMITATIONS ON EXCLUSIVE RIGHT.—Notwithstanding the provisions of section 106(6)—

(1) EXEMPT TRANSMISSIONS AND RETRANSMISSIONS.—The performance of a sound recording publicly by means of a digital audio transmission, other than as a part of an interactive service, is not an infringement of section 106(6) if the performance is part of—

(A) a nonsubscription broadcast transmission;

(B) a retransmission of a nonsubscription broadcast transmission: *Provided*, That, in the case of a retransmission of a radio station's broadcast transmission—

(i) the radio station's broadcast transmission is not willfully or repeatedly retransmitted more than a radius of 150 miles from the site of the radio broadcast transmitter, however—

(I) the 150 mile limitation under this clause shall not apply when a nonsubscription broadcast transmission by a radio station licensed by the Federal Communications Commission is retransmitted on a nonsubscription basis by a terrestrial broadcast station, terrestrial translator, or terrestrial repeater licensed by the Federal Communications Commission; and

(II) in the case of a subscription retransmission of a nonsubscription broadcast retransmission covered by subclause (I), the 150 mile radius shall be measured from the transmitter site of such broadcast retransmitter;

(ii) the retransmission is of radio station broadcast transmissions that are—

(I) obtained by the retransmitter over the air;

(II) not electronically processed by the retransmitter to deliver separate and discrete signals; and

(III) retransmitted only within the local communities served by the retransmitter;

(iii) the radio station's broadcast transmission was being retransmitted to cable systems (as defined in section 111(f)) by a satellite carrier on January 1, 1995, and that retransmission was being retransmitted by cable systems as a separate and discrete signal, and the satellite carrier obtains the radio station's broadcast transmission in an analog format: *Provided*, That the broadcast transmission being retransmitted may embody the programming of no more than one radio station; or

(iv) the radio station's broadcast transmission is made by a noncommercial educational broadcast station funded on or after January 1, 1995, under section 396(k) of the Communications Act of 1934 (47 U.S.C. 396(k)), consists solely of noncommercial educational and cultural radio programs, and the retransmission, whether or not simultaneous, is a nonsubscription terrestrial broadcast retransmission; or

(C) a transmission that comes within any of the following categories—

(i) a prior or simultaneous transmission incidental to an exempt transmission, such as a feed received by and then retransmitted by an exempt transmitter: *Provided*, That such incidental transmissions do not include any subscription transmission directly for reception by members of the public;

(ii) a transmission within a business establishment, confined to its premises or the immediately surrounding vicinity;

(iii) a retransmission by any retransmitter, including a multichannel video programming distributor as defined in section 602(12) of the Communications Act of 1934 (47 U.S.C. 522 (12)), of a transmission by a transmitter licensed to publicly perform the sound recording as a part of that transmission, if the retransmission is simultaneous with the licensed transmission and authorized by the transmitter; or

(iv) a transmission to a business establishment for use in the ordinary course of its business: *Provided*, That the business recipient does not retransmit the transmission outside of its premises or the immediately surrounding vicinity, and that the transmission does not exceed the sound recording performance complement. Nothing in this clause shall limit the scope of the exemption in clause (ii).

(2) STATUTORY LICENSING OF CERTAIN TRANSMISSIONS.—

The performance of a sound recording publicly by means of a subscription digital audio transmission not exempt under paragraph (1), an eligible nonsubscription transmission, or a transmission not exempt under paragraph (1) that is made by a preexisting satellite digital audio radio service shall be subject to statutory licensing, in accordance with subsection (f) if—

(A)(i) the transmission is not part of an interactive service;

(ii) except in the case of a transmission to a business establishment, the transmitting entity does not automatically and intentionally cause any device receiving the transmission to switch from one program channel to another; and

(iii) except as provided in section 1002(e), the transmission of the sound recording is accompanied, if technically feasible, by the information encoded in that sound recording, if any, by or under the authority of the copyright owner of that sound recording, that identifies the title of the sound recording, the featured recording artist who performs on the sound recording, and related information, including information concerning the underlying musical work and its writer;

(B) in the case of a subscription transmission not exempt under paragraph (1) that is made by a preexisting subscription service in the same transmission medium used by such service on July 31, 1998, or in the case of a transmission not exempt under paragraph (1) that is made by a preexisting satellite digital audio radio service—

(i) the transmission does not exceed the sound recording performance complement; and

(ii) the transmitting entity does not cause to be published by means of an advance program schedule or prior announcement the titles of the specific sound recordings or phonorecords embodying such sound recordings to be transmitted; and

(C) in the case of an eligible nonsubscription transmission or a subscription transmission not exempt under paragraph (1) that is made by a new subscription service or by a preexisting subscription service other than in the same transmission medium used by such service on July 31, 1998—

(i) the transmission does not exceed the sound recording performance complement, except that this requirement shall not apply in the case of a retransmission of a broadcast transmission if the retransmission is made by a transmitting entity that does not have the right or ability to control the programming of the broadcast station making the broadcast transmission, unless—

(I) the broadcast station makes broadcast transmissions—

(aa) in digital format that regularly exceed the sound recording performance complement; or

(bb) in analog format, a substantial portion of which, on a weekly basis, exceed the sound recording performance complement; and

(II) the sound recording copyright owner or its representative has notified the transmitting entity in writing that broadcast transmissions of the copyright owner's sound recordings exceed the sound recording performance complement as provided in this clause;

(ii) the transmitting entity does not cause to be published, or induce or facilitate the publication, by means of an advance program schedule or prior announcement, the titles of the specific sound recordings to be transmitted, the phonorecords embodying such sound recordings, or, other than for illustrative purposes, the names of the featured recording artists, except that this clause does not disqualify a transmitting entity that makes a prior announcement that a particular artist will be featured within an unspecified future time period, and in the case of a retransmission of a broadcast transmission by a transmitting entity that does not have the right or ability to control the programming of the broadcast transmission, the requirement of this clause shall not apply to a prior oral announcement by the broadcast station, or to an advance program schedule published, induced, or facilitated by the broadcast station, if the transmitting entity does not have actual knowledge and has not received written notice from the copyright owner or its representative that the broadcast station publishes or induces or facilitates the publication

of such advance program schedule, or if such advance program schedule is a schedule of classical music programming published by the broadcast station in the same manner as published by that broadcast station on or before September 30, 1998;

(iii) the transmission—

(I) is not part of an archived program of less than 5 hours duration;

(II) is not part of an archived program of 5 hours or greater in duration that is made available for a period exceeding 2 weeks;

(III) is not part of a continuous program which is of less than 3 hours duration; or

(IV) is not part of an identifiable program in which performances of sound recordings are rendered in a predetermined order, other than an archived or continuous program, that is transmitted at—

(aa) more than 3 times in any 2-week period that have been publicly announced in advance, in the case of a program of less than 1 hour in duration, or

(bb) more than 4 times in any 2-week period that have been publicly announced in advance, in the case of a program of 1 hour or more in duration, except that the requirement of this subclause shall not apply in the case of a retransmission of a broadcast transmission by a transmitting entity that does not have the right or ability to control the programming of the broadcast transmission, unless the transmitting entity is given notice in writing by the copyright owner of the sound recording that the broadcast station makes broadcast transmissions that regularly violate such requirement;

(iv) the transmitting entity does not knowingly perform the sound recording, as part of a service that offers transmissions of visual images contemporaneously with transmissions of sound recordings, in a manner that is likely to cause confusion, to cause mistake, or to deceive, as to the affiliation, connection, or association of the copyright owner or featured recording artist with the transmitting entity or a particular product or service advertised by the transmitting entity, or as to the origin, sponsorship, or approval by the copyright owner or featured recording artist of the activities of the transmitting entity other than the performance of the sound recording itself;

(v) the transmitting entity cooperates to prevent, to the extent feasible without imposing substantial costs or burdens, a transmission recipient or any other person or entity from automatically scanning the transmitting entity's transmissions alone or together with transmissions by other transmitting entities in order to select a particular sound recording to be transmitted to the transmission recipient, except that the requirement

of this clause shall not apply to a satellite digital audio service that is in operation, or that is licensed by the Federal Communications Commission, on or before July 31, 1998;

(vi) the transmitting entity takes no affirmative steps to cause or induce the making of a phonorecord by the transmission recipient, and if the technology used by the transmitting entity enables the transmitting entity to limit the making by the transmission recipient of phonorecords of the transmission directly in a digital format, the transmitting entity sets such technology to limit such making of phonorecords to the extent permitted by such technology;

(vii) phonorecords of the sound recording have been distributed to the public under the authority of the copyright owner or the copyright owner authorizes the transmitting entity to transmit the sound recording, and the transmitting entity makes the transmission from a phonorecord lawfully made under the authority of the copyright owner, except that the requirement of this clause shall not apply to a retransmission of a broadcast transmission by a transmitting entity that does not have the right or ability to control the programming of the broadcast transmission, unless the transmitting entity is given notice in writing by the copyright owner of the sound recording that the broadcast station makes broadcast transmissions that regularly violate such requirement;

(viii) the transmitting entity accommodates and does not interfere with the transmission of technical measures that are widely used by sound recording copyright owners to identify or protect copyrighted works, and that are technically feasible of being transmitted by the transmitting entity without imposing substantial costs on the transmitting entity or resulting in perceptible aural or visual degradation of the digital signal, except that the requirement of this clause shall not apply to a satellite digital audio service that is in operation, or that is licensed under the authority of the Federal Communications Commission, on or before July 31, 1998, to the extent that such service has designed, developed, or made commitments to procure equipment or technology that is not compatible with such technical measures before such technical measures are widely adopted by sound recording copyright owners; and

(ix) the transmitting entity identifies in textual data the sound recording during, but not before, the time it is performed, including the title of the sound recording, the title of the phonorecord embodying such sound recording, if any, and the featured recording artist, in a manner to permit it to be displayed to the transmission recipient by the device or technology intended for receiving the service provided by the transmitting entity, except that the obligation in this clause shall not take effect until 1 year after the date of the enactment of the Digital Millennium

Copyright Act and shall not apply in the case of a retransmission of a broadcast transmission by a transmitting entity that does not have the right or ability to control the programming of the broadcast transmission, or in the case in which devices or technology intended for receiving the service provided by the transmitting entity that have the capability to display such textual data are not common in the marketplace.

(3) LICENSES FOR TRANSMISSIONS BY INTERACTIVE SERVICES.—

(A) No interactive service shall be granted an exclusive license under section 106(6) for the performance of a sound recording publicly by means of digital audio transmission for a period in excess of 12 months, except that with respect to an exclusive license granted to an interactive service by a licensor that holds the copyright to 1,000 or fewer sound recordings, the period of such license shall not exceed 24 months: Provided, however, That the grantee of such exclusive license shall be ineligible to receive another exclusive license for the performance of that sound recording for a period of 13 months from the expiration of the prior exclusive license.

(B) The limitation set forth in subparagraph (A) of this paragraph shall not apply if—

(i) the licensor has granted and there remain in effect licenses under section 106(6) for the public performance of sound recordings by means of digital audio transmission by at least 5 different interactive services; Provided, however, That each such license must be for a minimum of 10 percent of the copyrighted sound recordings owned by the licensor that have been licensed to interactive services, but in no event less than 50 sound recordings; or

(ii) the exclusive license is granted to perform publicly up to 45 seconds of a sound recording and the sole purpose of the performance is to promote the distribution or performance of that sound recording.

(C) Notwithstanding the grant of an exclusive or nonexclusive license of the right of public performance under section 106(6), an interactive service may not publicly perform a sound recording unless a license has been granted for the public performance of any copyrighted musical work contained in the sound recording: Provided, That such license to publicly perform the copyrighted musical work may be granted either by a performing rights society representing the copyright owner or by the copyright owner.

(D) The performance of a sound recording by means of a retransmission of a digital audio transmission is not an infringement of section 106(6) if—

(i) the retransmission is of a transmission by an interactive service licensed to publicly perform the sound recording to a particular member of the public as part of that transmission; and

(ii) the retransmission is simultaneous with the licensed transmission, authorized by the transmitter, and limited to that particular member of the public intended by the interactive service to be the recipient of the transmission.

(E) For the purposes of this paragraph—

(i) a "licensor" shall include the licensing entity and any other entity under any material degree of common ownership, management, or control that owns copyrights in sound recordings; and

(ii) a "performing rights society" is an association or corporation that licenses the public performance of nondramatic musical works on behalf of the copyright owner, such as the American Society of Composers, Authors and Publishers, Broadcast Music, Inc., and SESAC, Inc.

(4) RIGHTS NOT OTHERWISE LIMITED.—

(A) Except as expressly provided in this section, this section does not limit or impair the exclusive right to perform a sound recording publicly by means of a digital audio transmission under section 106(6).

(B) Nothing in this section annuls or limits in any way—

(i) the exclusive right to publicly perform a musical work, including by means of a digital audio transmission, under section 106(4);

(ii) the exclusive rights in a sound recording or the musical work embodied therein under sections 106(1), 106(2) and 106(3); or

(iii) any other rights under any other clause of section 106, or remedies available under this title as such rights or remedies exist either before or after the date of enactment of the Digital Performance Right in Sound Recordings Act of 1995.

(C) Any limitations in this section on the exclusive right under section 106(6) apply only to the exclusive right under section 106(6) and not to any other exclusive rights under section 106. Nothing in this section shall be construed to annul, limit, impair or otherwise affect in any way the ability of the owner of a copyright in a sound recording to exercise the rights under sections 106(1), 106(2) and 106(3), or to obtain the remedies available under this title pursuant to such rights, as such rights and remedies exist either before or after the date of enactment of the Digital Performance Right in Sound Recordings Act of 1995.

(e) AUTHORITY FOR NEGOTIATIONS.—

(1) Notwithstanding any provision of the antitrust laws, in negotiating statutory licenses in accordance with subsection (f), any copyright owners of sound recordings and any entities performing sound recordings affected by this section may negotiate and agree upon the royalty rates and license terms and conditions for the performance of such sound recordings and the proportionate division of fees paid among copyright owners, and may designate common agents on a nonexclusive basis to negotiate, agree to, pay, or receive payments.

(2) For licenses granted under section 106(6), other than statutory licenses, such as for performances by interactive services or performances that exceed the sound recording performance complement—

(A) copyright owners of sound recordings affected by this section may designate common agents to act on their behalf to grant licenses and receive and remit royalty payments: *Provided*, That each copyright owner shall establish the royalty rates and material license terms and conditions unilaterally, that is, not in agreement, combination, or concert with other copyright owners of sound recordings; and

(B) entities performing sound recordings affected by this section may designate common agents to act on their behalf to obtain licenses and collect and pay royalty fees: *Provided*, That each entity performing sound recordings shall determine the royalty rates and material license terms and conditions unilaterally, that is, not in agreement, combination, or concert with other entities performing sound recordings.

(f) LICENSES FOR CERTAIN NONEXEMPT TRANSMISSIONS.

(1)(A) Proceedings under chapter 8 shall determine reasonable rates and terms of royalty payments for subscription transmissions by preexisting subscription services and transmissions by preexisting satellite digital audio radio services specified by subsection (d)(2) during the 5-year period beginning on January 1 of the second year following the year in which the proceedings are to be commenced, except in the case of a different transitional period provided under section 6(b)(3) of the Copyright Royalty and Distribution Reform Act of 2004, or such other period as the parties may agree. Such terms and rates shall distinguish among the different types of digital audio transmission services then in operation. Any copyright owners of sound recordings, preexisting subscription services, or preexisting satellite digital audio radio services may submit to the Copyright Royalty Judges licenses covering such subscription transmissions with respect to such sound recordings. The parties to each proceeding shall bear their own costs.

(B) The schedule of reasonable rates and terms determined by the Copyright Royalty Judges shall, subject to paragraph (3), be binding on all copyright owners of sound recordings and entities performing sound recordings affected by this paragraph during the 5-year period specified in subparagraph (A), a transitional period provided under section 6(b)(3) of the Copyright Royalty and Distribution Reform Act of 2004, or such other period as the parties may agree. In establishing rates and terms for preexisting subscription services and preexisting satellite digital audio radio services, in addition to the objectives set forth in section 801(b)(1), the Copyright Royalty Judges may consider the rates and terms for comparable types of subscription digital audio transmission services and comparable circumstances under voluntary license agreements described in subparagraph (A).

(C) The procedures under subparagraphs (A) and (B) also shall be initiated pursuant to a petition filed by any copyright owners of sound recordings, any preexisting subscription services, or any preexisting satellite digital audio radio services indicating that a new type of subscription digital audio transmission service on which sound recordings are performed is or is about to become operational, for the purpose of determining reasonable terms and rates of royalty payments with respect to such new type of transmission service for the period beginning with the inception of such new type of service and ending on the date on which the royalty rates and terms for subscription digital audio transmission services most recently determined under subparagraph (A) or (B) and chapter 8 expire, or such other period as the parties may agree.

(2)(A) Proceedings under chapter 8 shall determine reasonable rates and terms of royalty payments for public performances of sound recordings by means of eligible nonsubscription transmission services and new subscription services specified by subsection (d)(2) during the 5-year period beginning on January 1 of the second year following the year in which the proceedings are to be commenced, except in the case of a different transitional period provided under section 6(b)(3) of the Copyright Royalty and Distribution Reform Act of 2004, or such other period as the parties may agree. Such rates and terms shall distinguish among the different types of eligible nonsubscription transmission services and new subscription services then in operation and shall include a minimum fee for each such type of service. Any copyright owners of sound recordings or any entities performing sound recordings affected by this paragraph may submit to the Copyright Royalty Judges licenses covering such eligible nonsubscription transmissions and new subscription services with respect to such sound recordings. The parties to each proceeding shall bear their own costs.

(B) The schedule of reasonable rates and terms determined by the Copyright Royalty Judges shall, subject to paragraph (3), be binding on all copyright owners of sound recordings and entities performing sound recordings affected by this paragraph during the 5-year period specified in subparagraph (A), a transitional period provided under section 6(b)(3) of the Copyright Royalty and Distribution Act of 2004, or such other period as the parties may agree. Such rates and terms shall distinguish among the different types of eligible nonsubscription transmission services then in operation and shall include a minimum fee for each such type of service, such differences to be based on criteria including, but not limited to, the quantity and nature of the use of sound recordings and the degree to which use of the service may substitute for or may promote the purchase of phonorecords by consumers. In establishing rates and terms for transmissions by eligible nonsubscription services and new subscription services, the Copyright Royalty

Judges shall establish rates and terms that most clearly represent the rates and terms that would have been negotiated in the marketplace between a willing buyer and a willing seller. In determining such rates and terms, the Copyright Royalty Judges shall base [its][49] decision on economic, competitive and programming information presented by the parties, including—

(i) whether use of the service may substitute for or may promote the sales of phonorecords or otherwise may interfere with or may enhance the sound recording copyright owner's other streams of revenue from its sound recordings; and

(ii) the relative roles of the copyright owner and the transmitting entity in the copyrighted work and the service made available to the public with respect to relative creative contribution, technological contribution, capital investment, cost, and risk.

In establishing such rates and terms, the Copyright Royalty Judges may consider the rates and terms for comparable types of digital audio transmission services and comparable circumstances under voluntary license agreements described in subparagraph (A).

(C) The procedures under subparagraphs (A) and (B) shall also be initiated pursuant to a petition filed by any copyright owners of sound recordings or any eligible nonsubscription service or new subscription service indicating that a new type of eligible nonsubscription service or new subscription service on which sound recordings are performed is or is about to become operational, for the purpose of determining reasonable terms and rates of royalty payments with respect to such new type of service for the period beginning with the inception of such new type of service and ending on the date on which the royalty rates and terms for preexisting subscription digital audio transmission services or preexisting satellite digital radio audio services, as the case may be, most recently determined under subparagraph (A) or (B) and chapter 8 expire, or such other period as the parties may agree.

(3) License agreements voluntarily negotiated at any time between 1 or more copyright owners of sound recordings and 1 or more entities performing sound recordings shall be given effect in lieu of any decision by the Librarian of Congress or determination by the Copyright Royalty Judges.

(4)(A) The Copyright Royalty Judges shall also establish requirements by which copyright owners may receive reasonable notice of the use of their sound recordings under this section, and under which records of such use shall be kept and made available by entities performing sound recordings. The notice and recordkeeping rules in effect on the day before the effective date of the Copyright Royalty and Distribution Reform Act of 2004 shall remain in effect unless and until new regulations are promulgated by the Copyright Royalty Judges. If new regulations are promulgated under this subparagraph, the

Copyright Royalty Judges shall take into account the substance and effect of the rules in effect on the day before the effective date of the Copyright Royalty and Distribution Reform Act of 2004 and shall, to the extent practicable, avoid significant disruption of the functions of any designated agent authorized to collect and distribute royalty fees.

(B) Any person who wishes to perform a sound recording publicly by means of a transmission eligible for statutory licensing under this subsection may do so without infringing the exclusive right of the copyright owner of the sound recording—

(i) by complying with such notice requirements as the Copyright Royalty Judges shall prescribe by regulation and by paying royalty fees in accordance with this subsection; or

(ii) if such royalty fees have not been set, by agreeing to pay such royalty fees as shall be determined in accordance with this subsection.

(C) Any royalty payments in arrears shall be made on or before the twentieth day of the month next succeeding the month in which the royalty fees are set.

(5)(A) Notwithstanding section 112(e) and the other provisions of this subsection, the receiving agent may enter into agreements for the reproduction and performance of sound recordings under section 112(e) and this section by any 1 or more small commercial webcasters or noncommercial webcasters during the period beginning on October 28, 1998, and ending on December 31, 2004, that, once published in the Federal Register pursuant to subparagraph (B), shall be binding on all copyright owners of sound recordings and other persons entitled to payment under this section, in lieu of any determination by a copyright arbitration royalty panel or decision by the Librarian of Congress. Any such agreement for small commercial webcasters shall include provisions for payment of royalties on the basis of a percentage of revenue or expenses, or both, and include a minimum fee. Any such agreement may include other terms and conditions, including requirements by which copyright owners may receive notice of the use of their sound recordings and under which records of such use shall be kept and made available by small commercial webcasters or noncommercial webcasters. The receiving agent shall be under no obligation to negotiate any such agreement. The receiving agent shall have no obligation to any copyright owner of sound recordings or any other person entitled to payment under this section in negotiating any such agreement, and no liability to any copyright owner of sound recordings or any other person entitled to payment under this section for having entered into such agreement.

(B) The Copyright Office shall cause to be published in the Federal Register any agreement entered into pursuant to subparagraph (A). Such publication shall include a statement containing the substance of subparagraph (C). Such

agreements shall not be included in the Code of Federal Regulations. Thereafter, the terms of such agreement shall be available, as an option, to any small commercial webcaster or noncommercial webcaster meeting the eligibility conditions of such agreement.

(C) Neither subparagraph (A) nor any provisions of any agreement entered into pursuant to subparagraph (A), including any rate structure, fees, terms, conditions, or notice and recordkeeping requirements set forth therein, shall be admissible as evidence or otherwise taken into account in any administrative, judicial, or other government proceeding involving the setting or adjustment of the royalties payable for the public performance or reproduction in ephemeral phonorecords or copies of sound recordings, the determination of terms or conditions related thereto, or the establishment of notice or recordkeeping requirements by the Librarian of Congress under paragraph (4) or section 112(e)(4). It is the intent of Congress that any royalty rates, rate structure, definitions, terms, conditions, or notice and recordkeeping requirements, included in such agreements shall be considered as a compromise motivated by the unique business, economic and political circumstances of small webcasters, copyright owners, and performers rather than as matters that would have been negotiated in the marketplace between a willing buyer and a willing seller, or otherwise meet the objectives set forth in section 801(b).

(D) Nothing in the Small Webcaster Settlement Act of 2002 or any agreement entered into pursuant to subparagraph (A) shall be taken into account by the United States Court of Appeals for the District of Columbia Circuit in its review of the determination by the Librarian of Congress of July 8, 2002, of rates and terms for the digital performance of sound recordings and ephemeral recordings, pursuant to sections 112 and 114.

(E) As used in this paragraph—

(i) the term "noncommercial webcaster" means a webcaster that—

(I) is exempt from taxation under section 501 of the Internal Revenue Code of 1986 (26 U.S.C. 501);

(II) has applied in good faith to the Internal Revenue Service for exemption from taxation under section 501 of the Internal Revenue Code and has a commercially reasonable expectation that such exemption shall be granted; or

(III) is operated by a State or possession or any governmental entity or subordinate thereof, or by the United States or District of Columbia, for exclusively public purposes;

(ii) the term "receiving agent" shall have the meaning given that term in section 261.2 of title 37, Code of Federal Regulations, as published in the Federal Register on July 8, 2002; and

(iii) the term "webcaster" means a person or entity that has obtained a compulsory license under section 112 or 114 and the implementing regulations

therefor to make eligible nonsubscription transmissions and ephemeral recordings.

(F) The authority to make settlements pursuant to subparagraph (A) shall expire December 15, 2002, except with respect to noncommercial webcasters for whom the authority shall expire May 31, 2003.

(g) PROCEEDS FROM LICENSING OF TRANSMISSIONS.—

(1) Except in the case of a transmission licensed under a statutory license in accordance with subsection (f) of this section—

(A) a featured recording artist who performs on a sound recording that has been licensed for a transmission shall be entitled to receive payments from the copyright owner of the sound recording in accordance with the terms of the artist's contract; and

(B) a nonfeatured recording artist who performs on a sound recording that has been licensed for a transmission shall be entitled to receive payments from the copyright owner of the sound recording in accordance with the terms of the nonfeatured recording artist's applicable contract or other applicable agreement.

(2) An agent designated to distribute receipts from the licensing of transmissions in accordance with subsection (f) shall distribute such receipts as follows:

(A) 50 percent of the receipts shall be paid to the copyright owner of the exclusive right under section 106(6) of this title to publicly perform a sound recording by means of a digital audio transmission.

(B) 2½ percent of the receipts shall be deposited in an escrow account managed by an independent administrator jointly appointed by copyright owners of sound recordings and the American Federation of Musicians (or any successor entity) to be distributed to nonfeatured musicians (whether or not members of the American Federation of Musicians) who have performed on sound recordings.

(C) 2½ percent of the receipts shall be deposited in an escrow account managed by an independent administrator jointly appointed by copyright owners of sound recordings and the American Federation of Television and Radio Artists (or any successor entity) to be distributed to nonfeatured vocalists (whether or not members of the American Federation of Television and Radio Artists) who have performed on sound recordings.

(D) 45 percent of the receipts shall be paid, on a per sound recording basis, to the recording artist or artists featured on such sound recording (or the persons conveying rights in the artists' performance in the sound recordings).

(3) A nonprofit agent designated to distribute receipts from the licensing of transmissions in accordance with subsection (f) may deduct from any of its receipts, prior to the distribution of such receipts to any person or entity entitled thereto other than copyright owners and performers who have

elected to receive royalties from another designated agent and have notified such nonprofit agent in writing of such election, the reasonable costs of such agent incurred after November 1, 1995, in—

(A) the administration of the collection, distribution, and calculation of the royalties;

(B) the settlement of disputes relating to the collection and calculation of the royalties; and

(C) the licensing and enforcement of rights with respect to the making of ephemeral recordings and performances subject to licensing under section 112 and this section, including those incurred in participating in negotiations or arbitration proceedings under section 112 and this section, except that all costs incurred relating to the section 112 ephemeral recordings right may only be deducted from the royalties received pursuant to section 112.

(4) Notwithstanding paragraph (3), any designated agent designated to distribute receipts from the licensing of transmissions in accordance with subsection (f) may deduct from any of its receipts, prior to the distribution of such receipts, the reasonable costs identified in paragraph (3) of such agent incurred after November 1, 1995, with respect to such copyright owners and performers who have entered with such agent a contractual relationship that specifies that such costs may be deducted from such royalty receipts.

(h) LICENSING TO AFFILIATES.—

(1) If the copyright owner of a sound recording licenses an affiliated entity the right to publicly perform a sound recording by means of a digital audio transmission under section 106(6), the copyright owner shall make the licensed sound recording available under section 106(6) on no less favorable terms and conditions to all bona fide entities that offer similar services, except that, if there are material differences in the scope of the requested license with respect to the type of service, the particular sound recordings licensed, the frequency of use, the number of subscribers served, or the duration, then the copyright owner may establish different terms and conditions for such other services.

(2) The limitation set forth in paragraph (1) of this subsection shall not apply in the case where the copyright owner of a sound recording licenses—

(A) an interactive service; or

(B) an entity to perform publicly up to 45 seconds of the sound recording and the sole purpose of the performance is to promote the distribution or performance of that sound recording.

(i) NO EFFECT ON ROYALTIES FOR UNDERLYING WORKS.—License fees payable for the public performance of sound recordings under section 106(6) shall not be taken into account in any administrative, judicial, or other governmental proceeding to set or adjust the royalties payable to copyright owners of musical

works for the public performance of their works. It is the intent of Congress that royalties payable to copyright owners of musical works for the public performance of their works shall not be diminished in any respect as a result of the rights granted by section 106(6).

(j) DEFINITIONS.—As used in this section, the following terms have the following meanings:

(1) An "affiliated entity" is an entity engaging in digital audio transmissions covered by section 106(6), other than an interactive service, in which the licensor has any direct or indirect partnership or any ownership interest amounting to 5 percent or more of the outstanding voting or nonvoting stock.

(2) An "archived program" is a predetermined program that is available repeatedly on the demand of the transmission recipient and that is performed in the same order from the beginning, except that an archived program shall not include a recorded event or broadcast transmission that makes no more than an incidental use of sound recordings, as long as such recorded event or broadcast transmission does not contain an entire sound recording or feature a particular sound recording.

(3) A "broadcast" transmission is a transmission made by a terrestrial broadcast station licensed as such by the Federal Communications Commission.

(4) A "continuous program" is a predetermined program that is continuously performed in the same order and that is accessed at a point in the program that is beyond the control of the transmission recipient.

(5) A "digital audio transmission" is a digital transmission as defined in section 101, that embodies the transmission of a sound recording. This term does not include the transmission of any audiovisual work.

(6) An "eligible nonsubscription transmission" is a noninteractive nonsubscription digital audio transmission not exempt under subsection (d)(1) that is made as part of a service that provides audio programming consisting, in whole or in part, of performances of sound recordings, including retransmissions of broadcast transmissions, if the primary purpose of the service is to provide to the public such audio or other entertainment programming, and the primary purpose of the service is not to sell, advertise, or promote particular products or services other than sound recordings, live concerts, or other music-related events.

(7) An "interactive service" is one that enables a member of the public to receive a transmission of a program specially created for the recipient, or on request, a transmission of a particular sound recording, whether or not as part of a program, which is selected by or on behalf of the recipient. The ability of individuals to request that particular sound recordings be performed for reception by the public at large, or in the case of a subscription service, by all subscribers of the service, does not make a service interactive, if the programming on each channel of the service does not substantially consist of

sound recordings that are performed within 1 hour of the request or at a time designated by either the transmitting entity or the individual making such request. If an entity offers both interactive and noninteractive services (either concurrently or at different times), the noninteractive component shall not be treated as part of an interactive service.

(8) A "new subscription service" is a service that performs sound recordings by means of noninteractive subscription digital audio transmissions and that is not a preexisting subscription service or a preexisting satellite digital audio radio service.

(9) A "nonsubscription" transmission is any transmission that is not a subscription transmission.

(10) A "preexisting satellite digital audio radio service" is a subscription satellite digital audio radio service provided pursuant to a satellite digital audio radio service license issued by the Federal Communications Commission on or before July 31, 1998, and any renewal of such license to the extent of the scope of the original license, and may include a limited number of sample channels representative of the subscription service that are made available on a nonsubscription basis in order to promote the subscription service.

(11) A "preexisting subscription service" is a service that performs sound recordings by means of noninteractive audio-only subscription digital audio transmissions, which was in existence and was making such transmissions to the public for a fee on or before July 31, 1998, and may include a limited number of sample channels representative of the subscription service that are made available on a nonsubscription basis in order to promote the subscription service.

(12) A "retransmission" is a further transmission of an initial transmission, and includes any further retransmission of the same transmission. Except as provided in this section, a transmission qualifies as a "retransmission" only if it is simultaneous with the initial transmission. Nothing in this definition shall be construed to exempt a transmission that fails to satisfy a separate element required to qualify for an exemption under section 114(d)(1).

(13) The "sound recording performance complement" is the transmission during any 3-hour period, on a particular channel used by a transmitting entity, of no more than—

(A) 3 different selections of sound recordings from any one phonorecord lawfully distributed for public performance or sale in the United States, if no more than 2 such selections are transmitted consecutively; or

(B) 4 different selections of sound recordings—

(i) by the same featured recording artist; or

(ii) from any set or compilation of phonorecords lawfully distributed together as a unit for public performance or sale in the United States,

if no more than three such selections are transmitted consecutively:

Provided, That the transmission of selections in excess of the numerical limits provided for in clauses (A) and (B) from multiple phonorecords shall nonetheless qualify as a sound recording performance complement if the programming of the multiple phonorecords was not willfully intended to avoid the numerical limitations prescribed in such clauses.

(14) A "subscription" transmission is a transmission that is controlled and limited to particular recipients, and for which consideration is required to be paid or otherwise given by or on behalf of the recipient to receive the transmission or a package of transmissions including the transmission.

(15) A "transmission" is either an initial transmission or a retransmission.

§ 801 · Copyright Royalty Judges; appointment and functions[2]

(a) APPOINTMENT.—The Librarian of Congress shall appoint 3 full-time Copyright Royalty Judges, and shall appoint 1 of the 3 as the Chief Copyright Royalty Judge. The Librarian shall make appointments to such positions after consultation with the Register of Copyrights.

(b) FUNCTIONS.—Subject to the provisions of this chapter, the functions of the Copyright Royalty Judges shall be as follows:

(1) To make determinations and adjustments of reasonable terms and rates of royalty payments as provided in sections 112(e), 114, 115, 116, 118, 119, and 1004. The rates applicable under sections 114(f)(1)(B), 115, and 116 shall be calculated to achieve the following objectives:

(A) To maximize the availability of creative works to the public.

(B) To afford the copyright owner a fair return for his or her creative work and the copyright user a fair income under existing economic conditions.

(C) To reflect the relative roles of the copyright owner and the copyright user in the product made available to the public with respect to relative creative contribution, technological contribution, capital investment, cost, risk, and contribution to the opening of new markets for creative expression and media for their communication.

(D) To minimize any disruptive impact on the structure of the industries involved and on generally prevailing industry practices.

(2) To make determinations concerning the adjustment of the copyright royalty rates under section 111 solely in accordance with the following provisions:

(A) The rates established by section 111(d)(1)(B) may be adjusted to reflect—

(i) national monetary inflation or deflation; or

(ii) changes in the average rates charged cable subscribers for the basic service of providing secondary transmissions to maintain the real constant dollar level of the royalty fee per subscriber which existed as of the date of October 19, 1976,

except that—

(I) if the average rates charged cable system subscribers for the basic service of providing secondary transmissions are changed so that the average rates exceed national monetary inflation, no change in the rates established by section 111(d)(1)(B) shall be permitted; and

(II) no increase in the royalty fee shall be permitted based on any reduction in the average number of distant signal equivalents per subscriber.

The Copyright Royalty Judges may consider all factors relating to the maintenance of such level of payments, including, as an extenuating factor, whether the industry has been restrained by subscriber rate regulating

authorities from increasing the rates for the basic service of providing secondary transmissions.

(B) In the event that the rules and regulations of the Federal Communications Commission are amended at any time after April 15, 1976, to permit the carriage by cable systems of additional television broadcast signals beyond the local service area of the primary transmitters of such signals, the royalty rates established by section 111(d)(1)(B) may be adjusted to ensure that the rates for the additional distant signal equivalents resulting from such carriage are reasonable in the light of the changes effected by the amendment to such rules and regulations. In determining the reasonableness of rates proposed following an amendment of Federal Communications Commission rules and regulations, the Copyright Royalty Judges shall consider, among other factors, the economic impact on copyright owners and users; except that no adjustment in royalty rates shall be made under this subparagraph with respect to any distant signal equivalent or fraction thereof represented by—

(i) carriage of any signal permitted under the rules and regulations of the Federal Communications Commission in effect on April 15, 1976, or the carriage of a signal of the same type (that is, independent, network, or noncommercial educational) substituted for such permitted signal; or

(ii) a television broadcast signal first carried after April 15, 1976, pursuant to an individual waiver of the rules and regulations of the Federal Communications Commission, as such rules and regulations were in effect on April 15, 1976.

(C) In the event of any change in the rules and regulations of the Federal Communications Commission with respect to syndicated and sports program exclusivity after April 15, 1976, the rates established by section 111(d)(1)(B) may be adjusted to assure that such rates are reasonable in light of the changes to such rules and regulations, but any such adjustment shall apply only to the affected television broadcast signals carried on those systems affected by the change.

(D) The gross receipts limitations established by section 111(d)(1) (C) and (D) shall be adjusted to reflect national monetary inflation or deflation or changes in the average rates charged cable system subscribers for the basic service of providing secondary transmissions to maintain the real constant dollar value of the exemption provided by such section, and the royalty rate specified therein shall not be subject to adjustment.

(3)(A) To authorize the distribution, under sections 111, 119, and 1007, of those royalty fees collected under sections 111, 119, and 1005, as the case may be, to the extent that the Copyright Royalty Judges have found that the distribution of such fees is not subject to controversy.

(B) In cases where the Copyright Royalty Judges determine that controversy exists, the Copyright Royalty Judges shall determine the distribution of such fees, including partial distributions, in accordance with section 111, 119, or 1007, as the case may be.

(C) Notwithstanding section 804(b)(8), the Copyright Royalty Judges, at any time after the filing of claims under section 111, 119, or 1007, may, upon motion of one or more of the claimants and after publication in the Federal Register of a request for responses to the motion from interested claimants, make a partial distribution of such fees, if, based upon all responses received during the 30-day period beginning on the date of such publication, the Copyright Royalty Judges conclude that no claimant entitled to receive such fees has stated a reasonable objection to the partial distribution, and all such claimants—

(i) agree to the partial distribution;

(ii) sign an agreement obligating them to return any excess amounts to the extent necessary to comply with the final determination on the distribution of the fees made under subparagraph (B);

(iii) file the agreement with the Copyright Royalty Judges; and

(iv) agree that such funds are available for distribution.

(D) The Copyright Royalty Judges and any other officer or employee acting in good faith in distributing funds under subparagraph (C) shall not be held liable for the payment of any excess fees under subparagraph (C). The Copyright Royalty Judges shall, at the time the final determination is made, calculate any such excess amounts.

(4) To accept or reject royalty claims filed under sections 111, 119, and 1007, on the basis of timeliness or the failure to establish the basis for a claim.

(5) To accept or reject rate adjustment petitions as provided in section 804 and petitions to participate as provided in section 803(b) (1) and (2).

(6) To determine the status of a digital audio recording device or a digital audio interface device under sections 1002 and 1003, as provided in section 1010.

(7)(A) To adopt as a basis for statutory terms and rates or as a basis for the distribution of statutory royalty payments, an agreement concerning such matters reached among some or all of the participants in a proceeding at any time during the proceeding, except that—

(i) the Copyright Royalty Judges shall provide to those that would be bound by the terms, rates, or other determination set by any agreement in a proceeding to determine royalty rates an opportunity to comment on the agreement and shall provide to participants in the proceeding under section 803(b)(2) that would be bound by the terms, rates, or other determination set by the agreement an opportunity to comment on the agreement and object to its adoption as a basis for statutory terms and rates; and

(ii) the Copyright Royalty Judges may decline to adopt the agreement as a basis for statutory terms and rates for participants that are not parties

to the agreement, if any participant described in clause (i) objects to the agreement and the Copyright Royalty Judges conclude, based on the record before them if one exists, that the agreement does not provide a reasonable basis for setting statutory terms or rates.

(B) License agreements voluntarily negotiated pursuant to section 112(e)(5), 114(f)(3), 115(c)(3)(E)(i), 116(c), or 118(b)(2) that do not result in statutory terms and rates shall not be subject to clauses (i) and (ii) of subparagraph (A).

(C) Interested parties may negotiate and agree to, and the Copyright Royalty Judges may adopt, an agreement that specifies as terms notice and record-keeping requirements that apply in lieu of those that would otherwise apply under regulations.

(8) To perform other duties, as assigned by the Register of Copyrights within the Library of Congress, except as provided in section 802(g), at times when Copyright Royalty Judges are not engaged in performing the other duties set forth in this section.

(c) RULINGS.—The Copyright Royalty Judges may make any necessary procedural or evidentiary rulings in any proceeding under this chapter and may, before commencing a proceeding under this chapter, make any such rulings that would apply to the proceedings conducted by the Copyright Royalty Judges.

(d) ADMINISTRATIVE SUPPORT.—The Librarian of Congress shall provide the Copyright Royalty Judges with the necessary administrative services related to proceedings under this chapter.

(e) LOCATION IN LIBRARY OF CONGRESS.—The offices of the Copyright Royalty Judges and staff shall be in the Library of Congress.

(f) EFFECTIVE DATE OF ACTIONS.—On and after the date of the enactment of the Copyright Royalty and Distribution Reform Act of 2004, in any case in which time limits are prescribed under this title for performance of an action with or by the Copyright Royalty Judges, and in which the last day of the prescribed period falls on a Saturday, Sunday, holiday, or other nonbusiness day within the District of Columbia or the Federal Government, the action may be taken on the next succeeding business day, and is effective as of the date when the period expired.

§ 802 · Copyright Royalty Judgeships; staff[3]

(a) QUALIFICATIONS OF COPYRIGHT ROYALTY JUDGES.—

(1) IN GENERAL.—Each Copyright Royalty Judge shall be an attorney who has at least 7 years of legal experience. The Chief Copyright Royalty Judge shall have at least 5 years of experience in adjudications, arbitrations, or court trials. Of the other 2 Copyright Royalty Judges, 1 shall have significant knowledge of copyright law, and the other shall have significant

knowledge of economics. An individual may serve as a Copyright Royalty Judge only if the individual is free of any financial conflict of interest under subsection (h).

(2) DEFINITION.—In this subsection, the term "adjudication" has the meaning given that term in section 551 of title 5, but does not include mediation.

(b) STAFF.—The Chief Copyright Royalty Judge shall hire 3 full-time staff members to assist the Copyright Royalty Judges in performing their functions.

(c) TERMS.—The individual first appointed as the Chief Copyright Royalty Judge shall be appointed to a term of 6 years, and of the remaining individuals first appointed as Copyright Royalty Judges, 1 shall be appointed to a term of 4 years, and the other shall be appointed to a term of 2 years. Thereafter, the terms of succeeding Copyright Royalty Judges shall each be 6 years. An individual serving as a Copyright Royalty Judge may be reappointed to subsequent terms. The term of a Copyright Royalty Judge shall begin when the term of the predecessor of that Copyright Royalty Judge ends. When the term of office of a Copyright Royalty Judge ends, the individual serving that term may continue to serve until a successor is selected.

(d) VACANCIES OR INCAPACITY.—

(1) VACANCIES.—If a vacancy should occur in the position of Copyright Royalty Judge, the Librarian of Congress shall act expeditiously to fill the vacancy, and may appoint an interim Copyright Royalty Judge to serve until another Copyright Royalty Judge is appointed under this section. An individual appointed to fill the vacancy occurring before the expiration of the term for which the predecessor of that individual was appointed shall be appointed for the remainder of that term.

(2) INCAPACITY.—In the case in which a Copyright Royalty Judge is temporarily unable to perform his or her duties, the Librarian of Congress may appoint an interim Copyright Royalty Judge to perform such duties during the period of such incapacity.

(e) COMPENSATION.—

(1) JUDGES.—The Chief Copyright Royalty Judge shall receive compensation at the rate of basic pay payable for level AL-1 for administrative law judges pursuant to section 5372(b) of title 5, and each of the other two Copyright Royalty Judges shall receive compensation at the rate of basic pay payable for level AL-2 for administrative law judges pursuant to such section. The compensation of the Copyright Royalty Judges shall not be subject to any regulations adopted by the Office of Personnel Management pursuant to its authority under section 5376(b)(1) of title 5.

(2) STAFF MEMBERS.—Of the staff members appointed under subsection (b)—

(A) the rate of pay of 1 staff member shall be not more than the basic rate of pay payable for level 10 of GS-15 of the General Schedule;

(B) the rate of pay of 1 staff member shall be not less than the basic rate of pay payable for GS-13 of the General Schedule and not more than the basic rate of pay payable for level 10 of GS-14 of such Schedule; and

(C) the rate of pay for the third staff member shall be not less than the basic rate of pay payable for GS-8 of the General Schedule and not more than the basic rate of pay payable for level 10 of GS-11 of such Schedule.

(3) LOCALITY PAY.—All rates of pay referred to under this subsection shall include locality pay.

(f) INDEPENDENCE OF COPYRIGHT ROYALTY JUDGE.—

(1) IN MAKING DETERMINATIONS.—

(A) IN GENERAL.—(i) Subject to subparagraph (B) and clause (ii) of this subparagraph, the Copyright Royalty Judges shall have full independence in making determinations concerning adjustments and determinations of copyright royalty rates and terms, the distribution of copyright royalties, the acceptance or rejection of royalty claims, rate adjustment petitions, and petitions to participate, and in issuing other rulings under this title, except that the Copyright Royalty Judges may consult with the Register of Copyrights on any matter other than a question of fact.

(ii) One or more Copyright Royalty Judges may, or by motion to the Copyright Royalty Judges, any participant in a proceeding may, request from the Register of Copyrights an interpretation of any material questions of substantive law that relate to the construction of provisions of this title and arise in the course of the proceeding. Any request for a written interpretation shall be in writing and on the record, and reasonable provision shall be made to permit participants in the proceeding to comment on the material questions of substantive law in a manner that minimizes duplication and delay. Except as provided in subparagraph (B), the Register of Copyrights shall deliver to the Copyright Royalty Judges a written response within 14 days after the receipt of all briefs and comments from the participants. The Copyright Royalty Judges shall apply the legal interpretation embodied in the response of the Register of Copyrights if it is timely delivered, and the response shall be included in the record that accompanies the final determination. The authority under this clause shall not be construed to authorize the Register of Copyrights to provide an interpretation of questions of procedure before the Copyright Royalty Judges, the ultimate adjustments and determinations of copyright royalty rates and terms, the ultimate distribution of copyright royalties, or the acceptance or rejection of royalty claims, rate adjustment petitions, or petitions to participate in a proceeding.

(B) NOVEL QUESTIONS.—(i) In any case in which a novel material question of substantive law concerning an interpretation of those provisions of this title that are the subject of the proceeding is presented, the Copyright

Royalty Judges shall request a decision of the Register of Copyrights, in writing, to resolve such novel question. Reasonable provision shall be made for comment on such request by the participants in the proceeding, in such a way as to minimize duplication and delay. The Register of Copyrights shall transmit his or her decision to the Copyright Royalty Judges within 30 days after the Register of Copyrights receives all of the briefs or comments of the participants. Such decision shall be in writing and included by the Copyright Royalty Judges in the record that accompanies their final determination. If such a decision is timely delivered to the Copyright Royalty Judges, the Copyright Royalty Judges shall apply the legal determinations embodied in the decision of the Register of Copyrights in resolving material questions of substantive law.

(ii) In clause (i), a "novel question of law" is a question of law that has not been determined in prior decisions, determinations, and rulings described in section 803(a).

(C) CONSULTATION.—Notwithstanding the provisions of subparagraph (A), the Copyright Royalty Judges shall consult with the Register of Copyrights with respect to any determination or ruling that would require that any act be performed by the Copyright Office, and any such determination or ruling shall not be binding upon the Register of Copyrights.

(D) REVIEW OF LEGAL CONCLUSIONS BY THE REGISTER OF COPYRIGHTS.—The Register of Copyrights may review for legal error the resolution by the Copyright Royalty Judges of a material question of substantive law under this title that underlies or is contained in a final determination of the Copyright Royalty Judges. If the Register of Copyrights concludes, after taking into consideration the views of the participants in the proceeding, that any resolution reached by the Copyright Royalty Judges was in material error, the Register of Copyrights shall issue a written decision correcting such legal error, which shall be made part of the record of the proceeding. The Register of Copyrights shall issue such written decision not later than 60 days after the date on which the final determination by the Copyright Royalty Judges is issued. Additionally, the Register of Copyrights shall cause to be published in the Federal Register such written decision, together with a specific identification of the legal conclusion of the Copyright Royalty Judges that is determined to be erroneous. As to conclusions of substantive law involving an interpretation of the statutory provisions of this title, the decision of the Register of Copyrights shall be binding as precedent upon the Copyright Royalty Judges in subsequent proceedings under this chapter. When a decision has been rendered pursuant to this subparagraph, the Register of Copyrights may, on the basis of and in accordance with such decision, intervene as of right in any appeal of a final determination of the Copyright Royalty Judges pursuant to section

803(d) in the United States Court of Appeals for the District of Columbia Circuit. If, prior to intervening in such an appeal, the Register of Copyrights gives notification to, and undertakes to consult with, the Attorney General with respect to such intervention, and the Attorney General fails, within a reasonable period after receiving such notification, to intervene in such appeal, the Register of Copyrights may intervene in such appeal in his or her own name by any attorney designated by the Register of Copyrights for such purpose. Intervention by the Register of Copyrights in his or her own name shall not preclude the Attorney General from intervening on behalf of the United States in such an appeal as may be otherwise provided or required by law.

(E) EFFECT ON JUDICIAL REVIEW.—Nothing in this section shall be interpreted to alter the standard applied by a court in reviewing legal determinations involving an interpretation or construction of the provisions of this title or to affect the extent to which any construction or interpretation of the provisions of this title shall be accorded deference by a reviewing court.

(2) PERFORMANCE APPRAISALS.—

(A) IN GENERAL.—Notwithstanding any other provision of law or any regulation of the Library of Congress, and subject to subparagraph (B), the Copyright Royalty Judges shall not receive performance appraisals.

(B) RELATING TO SANCTION OR REMOVAL.—To the extent that the Librarian of Congress adopts regulations under subsection (h) relating to the sanction or removal of a Copyright Royalty Judge and such regulations require documentation to establish the cause of such sanction or removal, the Copyright Royalty Judge may receive an appraisal related specifically to the cause of the sanction or removal.

(g) INCONSISTENT DUTIES BARRED.—No Copyright Royalty Judge may undertake duties that conflict with his or her duties and responsibilities as a Copyright Royalty Judge.

(h) STANDARDS OF CONDUCT.—The Librarian of Congress shall adopt regulations regarding the standards of conduct, including financial conflict of interest and restrictions against ex parte communications, which shall govern the Copyright Royalty Judges and the proceedings under this chapter.

(i) REMOVAL OR SANCTION.—The Librarian of Congress may sanction or remove a Copyright Royalty Judge for violation of the standards of conduct adopted under subsection (h), misconduct, neglect of duty, or any disqualifying physical or mental disability. Any sanction or removal may be made only after notice and opportunity for a hearing, but the Librarian of Congress may suspend the Copyright Royalty Judge during the pendency of such hearing. The Librarian shall appoint an interim Copyright Royalty Judge during the period of any such suspension.

§ 803 · Proceedings of Copyright Royalty Judges[4]

(a) PROCEEDINGS.—

(1) IN GENERAL.—The Copyright Royalty Judges shall act in accordance with this title, and to the extent not inconsistent with this title, in accordance with subchapter II of chapter 5 of title 5, in carrying out the purposes set forth in section 801. The Copyright Royalty Judges shall act in accordance with regulations issued by the Copyright Royalty Judges and the Librarian of Congress, and on the basis of a written record, prior determinations and interpretations of the Copyright Royalty Tribunal, Librarian of Congress, the Register of Copyrights, copyright arbitration royalty panels (to the extent those determinations are not inconsistent with a decision of the Librarian of Congress or the Register of Copyrights), and the Copyright Royalty Judges (to the extent those determinations are not inconsistent with a decision of the Register of Copyrights that was timely delivered to the Copyright Royalty Judges pursuant to section 802(f)(1) (A) or (B), or with a decision of the Register of Copyrights pursuant to section 802(f)(1)(D)), under this chapter, and decisions of the court of appeals under this chapter before, on, or after the effective date of the Copyright Royalty and Distribution Reform Act of 2004.

(2) JUDGES ACTING AS PANEL AND INDIVIDUALLY.—The Copyright Royalty Judges shall preside over hearings in proceedings under this chapter en banc. The Chief Copyright Royalty Judge may designate a Copyright Royalty Judge to preside individually over such collateral and administrative proceedings, and over such proceedings under paragraphs (1) through (5) of subsection (b), as the Chief Judge considers appropriate.

(3) DETERMINATIONS.—Final determinations of the Copyright Royalty Judges in proceedings under this chapter shall be made by majority vote. A Copyright Royalty Judge dissenting from the majority on any determination under this chapter may issue his or her dissenting opinion, which shall be included with the determination.

(b) PROCEDURES.—

(1) INITIATION.—

(A) CALL FOR PETITIONS TO PARTICIPATE.—(i) The Copyright Royalty Judges shall cause to be published in the Federal Register notice of commencement of proceedings under this chapter, calling for the filing of petitions to participate in a proceeding under this chapter for the purpose of making the relevant determination under section 111, 112, 114, 115, 116, 118, 119, 1004, or 1007, as the case may be—

(I) promptly upon a determination made under section 804(a);

(II) by no later than January 5 of a year specified in paragraph (2) of section 804(b) for the commencement of proceedings;

(III) by no later than January 5 of a year specified in subparagraph (A) or (B) of paragraph (3) of section 804(b) for the commencement of proceedings, or as otherwise provided in subparagraph (A) or (C) of such paragraph for the commencement of proceedings;

(IV) as provided under section 804(b)(8); or

(V) by no later than January 5 of a year specified in any other provision of section 804(b) for the filing of petitions for the commencement of proceedings, if a petition has not been filed by that date, except that the publication of notice requirement shall not apply in the case of proceedings under section 111 that are scheduled to commence in 2005.

(ii) Petitions to participate shall be filed by no later than 30 days after publication of notice of commencement of a proceeding under clause (i), except that the Copyright Royalty Judges may, for substantial good cause shown and if there is no prejudice to the participants that have already filed petitions, accept late petitions to participate at any time up to the date that is 90 days before the date on which participants in the proceeding are to file their written direct statements. Notwithstanding the preceding sentence, petitioners whose petitions are filed more than 30 days after publication of notice of commencement of a proceeding are not eligible to object to a settlement reached during the voluntary negotiation period under paragraph (3), and any objection filed by such a petitioner shall not be taken into account by the Copyright Royalty Judges.

(B) PETITIONS TO PARTICIPATE.—Each petition to participate in a proceeding shall describe the petitioner's interest in the subject matter of the proceeding. Parties with similar interests may file a single petition to participate.

(2) PARTICIPATION IN GENERAL.—Subject to paragraph (4), a person may participate in a proceeding under this chapter, including through the submission of briefs or other information, only if—

(A) that person has filed a petition to participate in accordance with paragraph (1) (either individually or as a group under paragraph (1)(B));

(B) the Copyright Royalty Judges have not determined that the petition to participate is facially invalid;

(C) the Copyright Royalty Judges have not determined, sua sponte or on the motion of another participant in the proceeding, that the person lacks a significant interest in the proceeding; and

(D) the petition to participate is accompanied by either—

(i) in a proceeding to determine royalty rates, a filing fee of $150; or

(ii) in a proceeding to determine distribution of royalty fees—

(I) a filing fee of $150; or

(II) a statement that the petitioner (individually or as a group) will not seek a distribution of more than $1000, in which case the amount distributed to the petitioner shall not exceed $1000.

(3) VOLUNTARY NEGOTIATION PERIOD.—

(A) COMMENCEMENT OF PROCEEDINGS.—

(i) RATE ADJUSTMENT PROCEEDING.—Promptly after the date for filing of petitions to participate in a proceeding, the Copyright Royalty Judges shall make available to all participants in the proceeding a list of such participants and shall initiate a voluntary negotiation period among the participants.

(ii) DISTRIBUTION PROCEEDING.—Promptly after the date for filing of petitions to participate in a proceeding to determine the distribution of royalties, the Copyright Royalty Judges shall make available to all participants in the proceeding a list of such participants. The initiation of a voluntary negotiation period among the participants shall be set at a time determined by the Copyright Royalty Judges.

(B) LENGTH OF PROCEEDINGS.—The voluntary negotiation period initiated under subparagraph (A) shall be 3 months.

(C) DETERMINATION OF SUBSEQUENT PROCEEDINGS.—At the close of the voluntary negotiation proceedings, the Copyright Royalty Judges shall, if further proceedings under this chapter are necessary, determine whether and to what extent paragraphs (4) and (5) will apply to the parties.

(4) SMALL CLAIMS PROCEDURE IN DISTRIBUTION PROCEEDINGS.—

(A) IN GENERAL.—If, in a proceeding under this chapter to determine the distribution of royalties, the contested amount of a claim is $10,000 or less, the Copyright Royalty Judges shall decide the controversy on the basis of the filing of the written direct statement by the participant, the response by any opposing participant, and 1 additional response by each such party.

(B) BAD FAITH INFLATION OF CLAIM.—If the Copyright Royalty Judges determine that a participant asserts in bad faith an amount in controversy in excess of $10,000 for the purpose of avoiding a determination under the procedure set forth in subparagraph (A), the Copyright Royalty Judges shall impose a fine on that participant in an amount not to exceed the difference between the actual amount distributed and the amount asserted by the participant.

(5) PAPER PROCEEDINGS.—The Copyright Royalty Judges in proceedings under this chapter may decide, sua sponte or upon motion of a participant, to determine issues on the basis of the filing of the written direct statement by the participant, the response by any opposing participant, and one additional response by each such participant. Prior to making such decision to proceed on such a paper record only, the Copyright Royalty Judges shall offer to all parties to the proceeding the opportunity to comment on the decision. The procedure under this paragraph—

(A) shall be applied in cases in which there is no genuine issue of material fact, there is no need for evidentiary hearings, and all participants in the proceeding agree in writing to the procedure; and

(B) may be applied under such other circumstances as the Copyright Royalty Judges consider appropriate.

(6) REGULATIONS.—

(A) IN GENERAL.—The Copyright Royalty Judges may issue regulations to carry out their functions under this title. All regulations issued by the Copyright Royalty Judges are subject to the approval of the Librarian of Congress. Not later than 120 days after Copyright Royalty Judges or interim Copyright Royalty Judges, as the case may be, are first appointed after the enactment of the Copyright Royalty and Distribution Reform Act of 2004, such judges shall issue regulations to govern proceedings under this chapter.

(B) INTERIM REGULATIONS.—Until regulations are adopted under subparagraph (A), the Copyright Royalty Judges shall apply the regulations in effect under this chapter on the day before the effective date of the Copyright Royalty and Distribution Reform Act of 2004, to the extent such regulations are not inconsistent with this chapter, except that functions carried out under such regulations by the Librarian of Congress, the Register of Copyrights, or copyright arbitration royalty panels that, as of such date of enactment, are to be carried out by the Copyright Royalty Judges under this chapter, shall be carried out by the Copyright Royalty Judges under such regulations.

(C) REQUIREMENTS.—Regulations issued under subparagraph (A) shall include the following:

(i) The written direct statements and written rebuttal statements of all participants in a proceeding under paragraph (2) shall be filed by a date specified by the Copyright Royalty Judges, which, in the case of written direct statements, may be not earlier than 4 months, and not later than 5 months, after the end of the voluntary negotiation period under paragraph (3). Notwithstanding the preceding sentence, the Copyright Royalty Judges may allow a participant in a proceeding to file an amended written direct statement based on new information received during the discovery process, within 15 days after the end of the discovery period specified in clause (iv).

(ii)(I) Following the submission to the Copyright Royalty Judges of written direct statements and written rebuttal statements by the participants in a proceeding under paragraph (2), the Copyright Royalty Judges, after taking into consideration the views of the participants in the proceeding, shall determine a schedule for conducting and completing discovery.

(II) In this chapter, the term "written direct statements" means witness statements, testimony, and exhibits to be presented in the proceedings, and such other information that is necessary to establish terms and rates, or the distribution of royalty payments, as the case may be, as set forth in regulations issued by the Copyright Royalty Judges.

(iii) Hearsay may be admitted in proceedings under this chapter to the extent deemed appropriate by the Copyright Royalty Judges.

(iv) Discovery in connection with written direct statements shall be permitted for a period of 60 days, except for discovery ordered by the Copyright Royalty Judges in connection with the resolution of motions, orders, and disputes pending at the end of such period. The Copyright Royalty Judges may order a discovery schedule in connection with written rebuttal statements.

(v) Any participant under paragraph (2) in a proceeding under this chapter to determine royalty rates may request of an opposing participant nonprivileged documents directly related to the written direct statement or written rebuttal statement of that participant. Any objection to such a request shall be resolved by a motion or request to compel production made to the Copyright Royalty Judges in accordance with regulations adopted by the Copyright Royalty Judges. Each motion or request to compel discovery shall be determined by the Copyright Royalty Judges, or by a Copyright Royalty Judge when permitted under subsection (a)(2). Upon such motion, the Copyright Royalty Judges may order discovery pursuant to regulations established under this paragraph.

(vi)(I) Any participant under paragraph (2) in a proceeding under this chapter to determine royalty rates may, by means of written motion or on the record, request of an opposing participant or witness other relevant information and materials if, absent the discovery sought, the Copyright Royalty Judges' resolution of the proceeding would be substantially impaired. In determining whether discovery will be granted under this clause, the Copyright Royalty Judges may consider—

(aa) whether the burden or expense of producing the requested information or materials outweighs the likely benefit, taking into account the needs and resources of the participants, the importance of the issues at stake, and the probative value of the requested information or materials in resolving such issues;

(bb) whether the requested information or materials would be unreasonably cumulative or duplicative, or are obtainable from another source that is more convenient, less burdensome, or less expensive; and

(cc) whether the participant seeking discovery has had ample opportunity by discovery in the proceeding or by other means to obtain the information sought.

(II) This clause shall not apply to any proceeding scheduled to commence after December 31, 2010.

(vii) In a proceeding under this chapter to determine royalty rates, the participants entitled to receive royalties shall collectively be permitted to take no more than 10 depositions and secure responses to no more than 25 interrogatories, and the participants obligated to pay royalties shall collectively be permitted to take no more than 10 depositions and secure responses to no more than 25 interrogatories. The Copyright Royalty Judges shall resolve any disputes among similarly aligned participants to allocate the number of depositions or interrogatories permitted under this clause.

(viii) The rules and practices in effect on the day before the effective date of the Copyright Royalty and Distribution Reform Act of 2004, relating to discovery in proceedings under this chapter to determine the distribution of royalty fees, shall continue to apply to such proceedings on and after such effective date.

(ix) In proceedings to determine royalty rates, the Copyright Royalty Judges may issue a subpoena commanding a participant or witness to appear and give testimony, or to produce and permit inspection of documents or tangible things, if the Copyright Royalty Judges' resolution of the proceeding would be substantially impaired by the absence of such testimony or production of documents or tangible things. Such subpoena shall specify with reasonable particularity the materials to be produced or the scope and nature of the required testimony. Nothing in this clause shall preclude the Copyright Royalty Judges from requesting the production by a nonparticipant of information or materials relevant to the resolution by the Copyright Royalty Judges of a material issue of fact.

(x) The Copyright Royalty Judges shall order a settlement conference among the participants in the proceeding to facilitate the presentation of offers of settlement among the participants. The settlement conference shall be held during a 21-day period following the 60-day discovery period specified in clause (iv) and shall take place outside the presence of the Copyright Royalty Judges.

(xi) No evidence, including exhibits, may be submitted in the written direct statement or written rebuttal statement of a participant without a sponsoring witness, except where the Copyright Royalty Judges have taken official notice, or in the case of incorporation by reference of past records, or for good cause shown.

(c) DETERMINATION OF COPYRIGHT ROYALTY JUDGES.—

(1) TIMING.—The Copyright Royalty Judges shall issue their determination in a proceeding not later than 11 months after the conclusion of the 21-day settlement conference period under subsection (b)(6)(C)(x), but, in the case of a proceeding to determine successors to rates or terms that expire on a specified date, in no event later than 15 days before the expiration of the then current statutory rates and terms.

(2) REHEARINGS.—

(A) IN GENERAL.—The Copyright Royalty Judges may, in exceptional cases, upon motion of a participant in a proceeding under subsection (b)(2), order a rehearing, after the determination in the proceeding is issued under paragraph (1), on such matters as the Copyright Royalty Judges determine to be appropriate.

(B) TIMING FOR FILING MOTION.—Any motion for a rehearing under subparagraph (A) may only be filed within 15 days after the date on which the Copyright Royalty Judges deliver to the participants in the proceeding their initial determination.

(C) PARTICIPATION BY OPPOSING PARTY NOT REQUIRED.—In any case in which a rehearing is ordered, any opposing party shall not be required to participate in the rehearing, except that nonparticipation may give rise to the limitations with respect to judicial review provided for in subsection (d)(1).

(D) NO NEGATIVE INFERENCE.—No negative inference shall be drawn from lack of participation in a rehearing.

(E) CONTINUITY OF RATES AND TERMS.—(i) If the decision of the Copyright Royalty Judges on any motion for a rehearing is not rendered before the expiration of the statutory rates and terms that were previously in effect, in the case of a proceeding to determine successors to rates and terms that expire on a specified date, then—

(I) the initial determination of the Copyright Royalty Judges that is the subject of the rehearing motion shall be effective as of the day following the date on which the rates and terms that were previously in effect expire; and

(II) in the case of a proceeding under section 114(f)(1)(C) or 114(f)(2)(C), royalty rates and terms shall, for purposes of section 114(f)(4)(B), be deemed to have been set at those rates and terms contained in the initial determination of the Copyright Royalty Judges that is the subject of the rehearing motion, as of the date of that determination.

(ii) The pendency of a motion for a rehearing under this paragraph shall not relieve persons obligated to make royalty payments who would be affected by the determination on that motion from providing the statements

of account and any reports of use, to the extent required, and paying the royalties required under the relevant determination or regulations.

(iii) Notwithstanding clause (ii), whenever royalties described in clause (ii) are paid to a person other than the Copyright Office, the entity designated by the Copyright Royalty Judges to which such royalties are paid by the copyright user (and any successor thereto) shall, within 60 days after the motion for rehearing is resolved or, if the motion is granted, within 60 days after the rehearing is concluded, return any excess amounts previously paid to the extent necessary to comply with the final determination of royalty rates by the Copyright Royalty Judges. Any underpayment of royalties resulting from a rehearing shall be paid within the same period.

(3) CONTENTS OF DETERMINATION.—A determination of the Copyright Royalty Judges shall be supported by the written record and shall set forth the findings of fact relied on by the Copyright Royalty Judges. Among other terms adopted in a determination, the Copyright Royalty Judges may specify notice and recordkeeping requirements of users of the copyrights at issue that apply in lieu of those that would otherwise apply under regulations.

(4) CONTINUING JURISDICTION.—The Copyright Royalty Judges may issue an amendment to a written determination to correct any technical or clerical errors in the determination or to modify the terms, but not the rates, of royalty payments in response to unforeseen circumstances that would frustrate the proper implementation of such determination. Such amendment shall be set forth in a written addendum to the determination that shall be distributed to the participants of the proceeding and shall be published in the Federal Register.

(5) PROTECTIVE ORDER.—The Copyright Royalty Judges may issue such orders as may be appropriate to protect confidential information, including orders excluding confidential information from the record of the determination that is published or made available to the public, except that any terms or rates of royalty payments or distributions may not be excluded.

(6) PUBLICATION OF DETERMINATION.—By no later than the end of the 60-day period provided in section 802(f)(1)(D), the Librarian of Congress shall cause the determination, and any corrections thereto, to be published in the Federal Register. The Librarian of Congress shall also publicize the determination and corrections in such other manner as the Librarian considers appropriate, including, but not limited to, publication on the Internet. The Librarian of Congress shall also make the determination, corrections, and the accompanying record available for public inspection and copying.

(7) LATE PAYMENT.—A determination of the Copyright Royalty Judges may include terms with respect to late payment, but in no way shall such terms prevent the copyright holder from asserting other rights or remedies provided under this title.

(d) JUDICIAL REVIEW.—

(1) APPEAL.—Any determination of the Copyright Royalty Judges under subsection (c) may, within 30 days after the publication of the determination in the Federal Register, be appealed, to the United States Court of Appeals for the District of Columbia Circuit, by any aggrieved participant in the proceeding under subsection (b)(2) who fully participated in the proceeding and who would be bound by the determination. Any participant that did not participate in a rehearing may not raise any issue that was the subject of that rehearing at any stage of judicial review of the hearing determination. If no appeal is brought within that 30-day period, the determination of the Copyright Royalty Judges shall be final, and the royalty fee or determination with respect to the distribution of fees, as the case may be, shall take effect as set forth in paragraph (2).

(2) EFFECT OF RATES.—

(A) EXPIRATION ON SPECIFIED DATE.—When this title provides that the royalty rates and terms that were previously in effect are to expire on a specified date, any adjustment or determination by the Copyright Royalty Judges of successor rates and terms for an ensuing statutory license period shall be effective as of the day following the date of expiration of the rates and terms that were previously in effect, even if the determination of the Copyright Royalty Judges is rendered on a later date. A licensee shall be obligated to continue making payments under the rates and terms previously in effect until such time as rates and terms for the successor period are established. Whenever royalties pursuant to this section are paid to a person other than the Copyright Office, the entity designated by the Copyright Royalty Judges to which such royalties are paid by the copyright user (and any successor thereto) shall, within 60 days after the final determination of the Copyright Royalty Judges establishing rates and terms for a successor period or the exhaustion of all rehearings or appeals of such determination, if any, return any excess amounts previously paid to the extent necessary to comply with the final determination of royalty rates. Any underpayment of royalties by a copyright user shall be paid to the entity designated by the Copyright Royalty Judges within the same period.

(B) OTHER CASES.—In cases where rates and terms have not, prior to the inception of an activity, been established for that particular activity under the relevant license, such rates and terms shall be retroactive to the inception of activity under the relevant license covered by such rates and terms. In other cases where rates and terms do not expire on a specified date, successor rates and terms shall take effect on the first day of the second month that begins after the publication of the determination of the Copyright Royalty Judges in the Federal Register, except as otherwise provided in this title, or by the Copyright Royalty Judges, or as agreed by the

participants in a proceeding that would be bound by the rates and terms. Except as otherwise provided in this title, the rates and terms, to the extent applicable, shall remain in effect until such successor rates and terms become effective.

(C) OBLIGATION TO MAKE PAYMENTS.—

(i) The pendency of an appeal under this subsection shall not relieve persons obligated to make royalty payments under section 111, 112, 114, 115, 116, 118, 119, or 1003, who would be affected by the determination on appeal, from–

(I) providing the applicable statements of account and report of use; and

(II) paying the royalties required under the relevant determination or regulations.

(ii) Notwithstanding clause (i), whenever royalties described in clause (i) are paid to a person other than the Copyright Office, the entity designated by the Copyright Royalty Judges to which such royalties are paid by the copyright user (and any successor thereto) shall, within 60 days after the final resolution of the appeal, return any excess amounts previously paid (and interest thereon, if ordered pursuant to paragraph (3)) to the extent necessary to comply with the final determination of royalty rates on appeal. Any underpayment of royalties resulting from an appeal (and interest thereon, if ordered pursuant to paragraph (3)) shall be paid within the same period.

(3) JURISDICTION OF COURT.—Section 706 of title 5 shall apply with respect to review by the court of appeals under this subsection. If the court modifies or vacates a determination of the Copyright Royalty Judges, the court may enter its own determination with respect to the amount or distribution of royalty fees and costs, and order the repayment of any excess fees, the payment of any underpaid fees, and the payment of interest pertaining respectively thereto, in accordance with its final judgment. The court may also vacate the determination of the Copyright Royalty Judges and remand the case to the Copyright Royalty Judges for further proceedings in accordance with subsection (a).

(e) ADMINISTRATIVE MATTERS.—

(1) DEDUCTION OF COSTS OF LIBRARY OF CONGRESS AND COPYRIGHT OFFICE FROM FILING FEES.—

(A) DEDUCTION FROM FILING FEES.—The Librarian of Congress may, to the extent not otherwise provided under this title, deduct from the filing fees collected under subsection (b) for a particular proceeding under this chapter the reasonable costs incurred by the Librarian of Congress, the Copyright Office, and the Copyright Royalty Judges in conducting that proceeding, other than the salaries of the Copyright Royalty Judges and the 3 staff members appointed under section 802(b).

(B) AUTHORIZATION OF APPROPRIATIONS.—There are authorized to be appropriated such sums as may be necessary to pay the costs incurred under this chapter not covered by the filing fees collected under subsection (b). All funds made available pursuant to this subparagraph shall remain available until expended.

(2) POSITIONS REQUIRED FOR ADMINISTRATION OF COMPULSORY LICENSING.—Section 307 of the Legislative Branch Appropriations Act, 1994, shall not apply to employee positions in the Library of Congress that are required to be filled in order to carry out section 111, 112, 114, 115, 116, 118, or 119 or chapter 10.

Public Law 108–419
108th Congress

An Act

To amend title 17, United States Code, to replace copyright arbitration royalty panels with Copyright Royalty Judges, and for other purposes.

Nov. 30, 2004
[H.R. 1417]

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

SECTION 1. SHORT TITLE.

Copyright Royalty and Distribution Reform Act of 2004.
17 USC 101 note.

This Act may be cited as the "Copyright Royalty and Distribution Reform Act of 2004".

SEC. 2. REFERENCE.

Except as otherwise expressly provided, whenever in this Act an amendment or repeal is expressed in terms of an amendment to, or repeal of, a section or other provision, the reference shall be considered to be made to a section or other provision of title 17, United States Code.

SEC. 3. COPYRIGHT ROYALTY JUDGE AND STAFF.

(a) IN GENERAL.—Chapter 8 is amended to read as follows:

"CHAPTER 8—PROCEEDINGS BY COPYRIGHT ROYALTY JUDGES

"§ 801. Copyright Royalty Judges; appointment and functions

"(a) APPOINTMENT.—The Librarian of Congress shall appoint 3 full-time Copyright Royalty Judges, and shall appoint 1 of the 3 as the Chief Copyright Royalty Judge. The Librarian shall make appointments to such positions after consultation with the Register of Copyrights.

"(b) FUNCTIONS.—Subject to the provisions of this chapter, the functions of the Copyright Royalty Judges shall be as follows:

"(1) To make determinations and adjustments of reasonable terms and rates of royalty payments as provided in sections 112(e), 114, 115, 116, 118, 119 and 1004. The rates applicable under sections 114(f)(1)(B), 115, and 116 shall be calculated to achieve the following objectives:

"(A) To maximize the availability of creative works to the public.

"(B) To afford the copyright owner a fair return for his or her creative work and the copyright user a fair income under existing economic conditions.

"(C) To reflect the relative roles of the copyright owner and the copyright user in the product made available to the public with respect to relative creative contribution, technological contribution, capital investment, cost, risk, and contribution to the opening of new markets for creative expression and media for their communication.

"(D) To minimize any disruptive impact on the structure of the industries involved and on generally prevailing industry practices.

"(2) To make determinations concerning the adjustment of the copyright royalty rates under section 111 solely in accordance with the following provisions:

"(A) The rates established by section 111(d)(1)(B) may be adjusted to reflect—

"(i) national monetary inflation or deflation; or

"(ii) changes in the average rates charged cable subscribers for the basic service of providing secondary transmissions to maintain the real constant dollar level of the royalty fee per subscriber which existed as of the date of October 19, 1976,

except that—

"(I) if the average rates charged cable system subscribers for the basic service of providing secondary transmissions are changed so that the average rates exceed national monetary inflation, no change in the rates established by section 111(d)(1)(B) shall be permitted; and

"(II) no increase in the royalty fee shall be permitted based on any reduction in the average number of distant signal equivalents per subscriber.

The Copyright Royalty Judges may consider all factors relating to the maintenance of such level of payments, including, as an extenuating factor, whether the industry has been restrained by subscriber rate regulating authorities from increasing the rates for the basic service of providing secondary transmissions.

"(B) In the event that the rules and regulations of the Federal Communications Commission are amended at any time after April 15, 1976, to permit the carriage by cable systems of additional television broadcast signals beyond the local service area of the primary transmitters of such signals, the royalty rates established by section 111(d)(1)(B) may be adjusted to ensure that the rates for the additional distant signal equivalents resulting from such carriage are reasonable in the light of the changes effected by the amendment to such rules and regulations. In determining the reasonableness of rates proposed following an amendment of Federal Communications Commission rules and regulations, the Copyright Royalty Judges shall consider, among other factors, the economic impact on copyright owners and users; except that no adjustment in royalty rates shall be made under this subparagraph with respect to any distant signal equivalent or fraction thereof represented by—

"(i) carriage of any signal permitted under the rules and regulations of the Federal Communications Commission in effect on April 15, 1976, or the carriage of a signal of the same type (that is, independent, network, or noncommercial educational) substituted for such permitted signal; or

"(ii) a television broadcast signal first carried after April 15, 1976, pursuant to an individual waiver of the rules and regulations of the Federal Communications Commission, as such rules and regulations were in effect on April 15, 1976.

"(C) In the event of any change in the rules and regulations of the Federal Communications Commission with respect to syndicated and sports program exclusivity after April 15, 1976, the rates established by section 111(d)(1)(B) may be adjusted to assure that such rates are reasonable in light of the changes to such rules and regulations, but any such adjustment shall apply only to the affected television broadcast signals carried on those systems affected by the change.

"(D) The gross receipts limitations established by section 111(d)(1) (C) and (D) shall be adjusted to reflect national monetary inflation or deflation or changes in the average rates charged cable system subscribers for the basic service of providing secondary transmissions to maintain the real constant dollar value of the exemption provided by such section, and the royalty rate specified therein shall not be subject to adjustment.

"(3)(A) To authorize the distribution, under sections 111, 119, and 1007, of those royalty fees collected under sections 111, 119, and 1005, as the case may be, to the extent that the Copyright Royalty Judges have found that the distribution of such fees is not subject to controversy.

"(B) In cases where the Copyright Royalty Judges determine that controversy exists, the Copyright Royalty Judges shall determine the distribution of such fees, including partial distributions, in accordance with section 111, 119, or 1007, as the case may be.

"(C) The Copyright Royalty Judges may make a partial distribution of such fees during the pendency of the proceeding under subparagraph (B) if all participants under section 803(b)(2) in the proceeding that are entitled to receive those fees that are to be partially distributed—

"(i) agree to such partial distribution;

"(ii) sign an agreement obligating them to return any excess amounts to the extent necessary to comply with the final determination on the distribution of the fees made under subparagraph (B);

"(iii) file the agreement with the Copyright Royalty Judges; and

"(iv) agree that such funds are available for distribution.

"(D) The Copyright Royalty Judges and any other officer or employee acting in good faith in distributing funds under subparagraph (C) shall not be held liable for the payment of any excess fees under subparagraph (C). The Copyright

Royalty Judges shall, at the time the final determination is made, calculate any such excess amounts.

"(4) To accept or reject royalty claims filed under sections 111, 119, and 1007, on the basis of timeliness or the failure to establish the basis for a claim.

"(5) To accept or reject rate adjustment petitions as provided in section 804 and petitions to participate as provided in section 803(b) (1) and (2).

"(6) To determine the status of a digital audio recording device or a digital audio interface device under sections 1002 and 1003, as provided in section 1010.

"(7)(A) To adopt as a basis for statutory terms and rates or as a basis for the distribution of statutory royalty payments, an agreement concerning such matters reached among some or all of the participants in a proceeding at any time during the proceeding, except that—

"(i) the Copyright Royalty Judges shall provide to those that would be bound by the terms, rates, or other determination set by any agreement in a proceeding to determine royalty rates an opportunity to comment on the agreement and shall provide to participants in the proceeding under section 803(b)(2) that would be bound by the terms, rates, or other determination set by the agreement an opportunity to comment on the agreement and object to its adoption as a basis for statutory terms and rates; and

"(ii) the Copyright Royalty Judges may decline to adopt the agreement as a basis for statutory terms and rates for participants that are not parties to the agreement, if any participant described in clause (i) objects to the agreement and the Copyright Royalty Judges conclude, based on the record before them if one exists, that the agreement does not provide a reasonable basis for setting statutory terms or rates.

"(B) License agreements voluntarily negotiated pursuant to section 112(e)(5), 114(f)(3), 115(c)(3)(E)(i), 116(c), or 118(b)(2) that do not result in statutory terms and rates shall not be subject to clauses (i) and (ii) of subparagraph (A).

"(C) Interested parties may negotiate and agree to, and the Copyright Royalty Judges may adopt, an agreement that specifies as terms notice and recordkeeping requirements that apply in lieu of those that would otherwise apply under regulations.

"(8) To perform other duties, as assigned by the Register of Copyrights within the Library of Congress, except as provided in section 802(g), at times when Copyright Royalty Judges are not engaged in performing the other duties set forth in this section.

"(c) RULINGS.—The Copyright Royalty Judges may make any necessary procedural or evidentiary rulings in any proceeding under this chapter and may, before commencing a proceeding under this chapter, make any such rulings that would apply to the proceedings conducted by the Copyright Royalty Judges.

"(d) ADMINISTRATIVE SUPPORT.—The Librarian of Congress shall provide the Copyright Royalty Judges with the necessary administrative services related to proceedings under this chapter.

"(e) LOCATION IN LIBRARY OF CONGRESS.—The offices of the Copyright Royalty Judges and staff shall be in the Library of Congress.

"§ 802. Copyright Royalty Judgeships; staff

"(a) QUALIFICATIONS OF COPYRIGHT ROYALTY JUDGES.—

"(1) IN GENERAL.—Each Copyright Royalty Judge shall be an attorney who has at least 7 years of legal experience. The Chief Copyright Royalty Judge shall have at least 5 years of experience in adjudications, arbitrations, or court trials. Of the other 2 Copyright Royalty Judges, 1 shall have significant knowledge of copyright law, and the other shall have significant knowledge of economics. An individual may serve as a Copyright Royalty Judge only if the individual is free of any financial conflict of interest under subsection (h).

"(2) DEFINITION.—In this subsection, the term 'adjudication' has the meaning given that term in section 551 of title 5, but does not include mediation.

"(b) STAFF.—The Chief Copyright Royalty Judge shall hire 3 full-time staff members to assist the Copyright Royalty Judges in performing their functions.

"(c) TERMS.—The individual first appointed as the Chief Copyright Royalty Judge shall be appointed to a term of 6 years, and of the remaining individuals first appointed as Copyright Royalty Judges, 1 shall be appointed to a term of 4 years, and the other shall be appointed to a term of 2 years. Thereafter, the terms of succeeding Copyright Royalty Judges shall each be 6 years. An individual serving as a Copyright Royalty Judge may be reappointed to subsequent terms. The term of a Copyright Royalty Judge shall begin when the term of the predecessor of that Copyright Royalty Judge ends. When the term of office of a Copyright Royalty Judge ends, the individual serving that term may continue to serve until a successor is selected.

"(d) VACANCIES OR INCAPACITY.—

"(1) VACANCIES.—If a vacancy should occur in the position of Copyright Royalty Judge, the Librarian of Congress shall act expeditiously to fill the vacancy, and may appoint an interim Copyright Royalty Judge to serve until another Copyright Royalty Judge is appointed under this section. An individual appointed to fill the vacancy occurring before the expiration of the term for which the predecessor of that individual was appointed shall be appointed for the remainder of that term.

"(2) INCAPACITY.—In the case in which a Copyright Royalty Judge is temporarily unable to perform his or her duties, the Librarian of Congress may appoint an interim Copyright Royalty Judge to perform such duties during the period of such incapacity.

"(e) COMPENSATION.—

"(1) JUDGES.—The Chief Copyright Royalty Judge shall receive compensation at the rate of basic pay payable for level AL–1 for administrative law judges pursuant to section 5372(b) of title 5, and each of the other two Copyright Royalty Judges shall receive compensation at the rate of basic pay payable for level AL–2 for administrative law judges pursuant to such section. The compensation of the Copyright Royalty Judges shall not be subject to any regulations adopted by the Office

of Personnel Management pursuant to its authority under section 5376(b)(1) of title 5.

"(2) STAFF MEMBERS.—Of the staff members appointed under subsection (b)—

"(A) the rate of pay of 1 staff member shall be not more than the basic rate of pay payable for level 10 of GS–15 of the General Schedule;

"(B) the rate of pay of 1 staff member shall be not less than the basic rate of pay payable for GS–13 of the General Schedule and not more than the basic rate of pay payable for level 10 of GS–14 of such Schedule; and

"(C) the rate of pay for the third staff member shall be not less than the basic rate of pay payable for GS–8 of the General Schedule and not more than the basic rate of pay payable for level 10 of GS–11 of such Schedule.

"(3) LOCALITY PAY.—All rates of pay referred to under this subsection shall include locality pay.

"(f) INDEPENDENCE OF COPYRIGHT ROYALTY JUDGE.—

"(1) IN MAKING DETERMINATIONS.—

"(A) IN GENERAL.—(i) Subject to clause (ii) of this subparagraph and subparagraph (B), the Copyright Royalty Judges shall have full independence in making determinations concerning adjustments and determinations of copyright royalty rates and terms, the distribution of copyright royalties, the acceptance or rejection of royalty claims, rate adjustment petitions, and petitions to participate, and in issuing other rulings under this title, except that the Copyright Royalty Judges may consult with the Register of Copyrights on any matter other than a question of fact.

"(ii) A Copyright Royalty Judge or Judges, or, by motion to the Copyright Royalty Judge or Judges, any participant in a proceeding may request an interpretation by the Register of Copyrights concerning any material question of substantive law (not including questions of procedure before the Copyright Royalty Judges, the ultimate adjustments and determinations of copyright royalty rates and terms, the ultimate distribution of copyright royalties, or the acceptance or rejection of royalty claims, rate adjustment petitions, or petitions to participate) concerning an interpretation or construction of those provisions of this title that are the subject of the proceeding. Any such request for a written interpretation by the Register of Copyrights shall be on the record. Reasonable provision shall be made for comment by the participants in the proceeding on the material question of substantive law in such a way as to minimize duplication and delay. Except as provided in subparagraph (B), the Register of Copyrights shall deliver to the Copyright Royalty Judges a response within 14 days after the Register of Copyrigts receives all of the briefs or comments of the participants. Such decision shall be in writing and shall be included by the Copyright Royalty Judges in the record that accompanies their final determination. If such a decision is timely delivered to the Copyright Royalty Judges, the Copyright Royalty Judges shall apply the legal interpretation embodied in the response of the Register of Copyrights in resolving material questions of substantive law.

Deadline.

Records.

"(B) NOVEL QUESTIONS.—(i) In any case in which a novel material question of substantive law concerning an interpretation of those provisions of this title that are the subject of the proceeding is presented, the Copyright Royalty Judges shall request a decision of the Register of Copyrights, in writing, to resolve such novel question. Reasonable provision shall be made for comment on such request by the participants in the proceeding, in such a way as to minimize duplication and delay. The Register of Copyrights shall transmit his or her decision to the Copyright Royalty Judges within 30 days after the Register of Copyrights receives all of the briefs or comments of the participants. Such decision shall be in writing and included by the Copyright Royalty Judges in the record that accompanies their final determination. If such a decision is timely delivered to the Copyright Royalty Judges, the Copyright Royalty Judges shall apply the legal determinations embodied in the decision of the Register of Copyrights in resolving material questions of substantive law.

Deadline.

Records.

"(ii) In clause (i), a 'novel question of law' is a question of law that has not been determined in prior decisions, determinations, and rulings described in section 803(a).

"(C) CONSULTATION.—Notwithstanding the provisions of subparagraph (A), the Copyright Royalty Judges shall consult with the Register of Copyrights with respect to any determination or ruling that would require that any act be performed by the Copyright Office, and any such determination or ruling shall not be binding upon the Register of Copyrights.

"(D) REVIEW OF LEGAL CONCLUSIONS BY THE REGISTER OF COPYRIGHTS.—The Register of Copyrights may review for legal error the resolution by the Copyright Royalty Judges of a material question of substantive law under this title that underlies or is contained in a final determination of the Copyright Royalty Judges. If the Register of Copyrights concludes, after taking into consideration the views of the participants in the proceeding, that any resolution reached by the Copyright Royalty Judges was in material error, the Register of Copyrights shall issue a written decision correcting such legal error, which shall be made part of the record of the proceeding. The Register of Copyrights shall issue such written decision not later than 60 days after the date on which the final determination by the Copyright Royalty Judges is issued. Additionally, the Register of Copyrights shall cause to be published in the Federal Register such written decision, together with a specific identification of the legal conclusion of the Copyright Royalty Judges that is determined to be erroneous. As to conclusions of substantive law involving an interpretation of the statutory provisions of this title, the decision of the Register of Copyrights shall be binding as precedent upon the Copyright Royalty Judges in subsequent proceedings under this chapter. When a decision has been rendered pursuant to this subparagraph, the Register of Copyrights may, on the basis of and in accordance with such decision, intervene as of right in any appeal of a final determination of the Copyright Royalty Judges

Records.

Deadline.

Federal Register, publication.

pursuant to section 803(d) in the United States Court of Appeals for the District of Columbia Circuit. If, prior to intervening in such an appeal, the Register of Copyrights gives notification to, and undertakes to consult with the Attorney General with respect to such intervention, and the Attorney General fails, within a reasonable period after receiving such notification, to intervene in such appeal, the Register of Copyrights may intervene in such appeal in his or her own name by any attorney designated by the Register of Copyrights for such purpose. Intervention by the Register of Copyrights in his or her own name shall not preclude the Attorney General from intervening on behalf of the United States in such an appeal as may be otherwise provided or required by law.

"(E) EFFECT ON JUDICIAL REVIEW.—Nothing in this section shall be interpreted to alter the standard applied by a court in reviewing legal determinations involving an interpretation or construction of the provisions of this title or to affect the extent to which any construction or interpretation of the provisions of this title shall be accorded deference by a reviewing court.

"(2) PERFORMANCE APPRAISALS.—

"(A) IN GENERAL.—Notwithstanding any other provision of law or any regulation of the Library of Congress, and subject to subparagraph (B), the Copyright Royalty Judges shall not receive performance appraisals.

"(B) RELATING TO SANCTION OR REMOVAL.—To the extent that the Librarian of Congress adopts regulations under subsection (h) relating to the sanction or removal of a Copyright Royalty Judge and such regulations require documentation to establish the cause of such sanction or removal, the Copyright Royalty Judge may receive an appraisal related specifically to the cause of the sanction or removal.

"(g) INCONSISTENT DUTIES BARRED.—No Copyright Royalty Judge may undertake duties that conflict with his or her duties and responsibilities as a Copyright Royalty Judge.

Regulations.

"(h) STANDARDS OF CONDUCT.—The Librarian of Congress shall adopt regulations regarding the standards of conduct, including financial conflict of interest and restrictions against ex parte communications, which shall govern the Copyright Royalty Judges and the proceedings under this chapter.

"(i) REMOVAL OR SANCTION.—The Librarian of Congress may sanction or remove a Copyright Royalty Judge for violation of the standards of conduct adopted under subsection (h), misconduct, neglect of duty, or any disqualifying physical or mental disability.

Notice.

Any such sanction or removal may be made only after notice and opportunity for a hearing, but the Librarian of Congress may suspend the Copyright Royalty Judge during the pendency of such hearing. The Librarian shall appoint an interim Copyright Royalty Judge during the period of any such suspension.

"§ 803. Proceedings of Copyright Royalty Judges

"(a) PROCEEDINGS.—

Regulations.
Records.

"(1) IN GENERAL.—The Copyright Royalty Judges shall act in accordance with regulations issued by the Copyright Royalty Judges and the Librarian of Congress, and on the basis of

a written record, prior determinations and interpretations of the Copyright Royalty Tribunal, Librarian of Congress, the Register of Copyrights, and the Copyright Royalty Judges (to the extent those determinations are not inconsistent with a decision of the Register of Copyrights that was timely delivered to the Copyright Royalty Judges pursuant to section 802(f)(1)(A) or (B), or with a decision of the Register of Copyrights pursuant to section 802(f)(1)(D)), under this chapter, and decisions of the court of appeals under this chapter before, on, or after the effective date of the Copyright Royalty and Distribution Reform Act of 2004.

"(2) JUDGES ACTING AS PANEL AND INDIVIDUALLY.—The Copyright Royalty Judges shall preside over hearings in proceedings under this chapter en banc. The Chief Copyright Royalty Judge may designate a Copyright Royalty Judge to preside individually over such collateral and administrative proceedings, and over such proceedings under paragraphs (1) through (5) of subsection (b), as the Chief Judge considers appropriate.

"(3) DETERMINATIONS.—Final determinations of the Copyright Royalty Judges in proceedings under this chapter shall be made by majority vote. A Copyright Royalty Judge dissenting from the majority on any determination under this chapter may issue his or her dissenting opinion, which shall be included with the determination.

"(b) PROCEDURES.—

"(1) INITIATION.—

"(A) CALL FOR PETITIONS TO PARTICIPATE.—(i) The Copyright Royalty Judges shall cause to be published in the Federal Register notice of commencement of proceedings under this chapter, calling for the filing of petitions to participate in a proceeding under this chapter for the purpose of making the relevant determination under section 111, 112, 114, 115, 116, 118, 119, 1004, or 1007, as the case may be—

Federal Register, publication. Notices. Deadlines.

"(I) promptly upon a determination made under section 804(a);

"(II) by no later than January 5 of a year specified in paragraph (2) of section 804(b) for the commencement of proceedings;

"(III) by no later than January 5 of a year specified in subparagraph (A) or (B) of paragraph (3) of section 804(b) for the commencement of proceedings, or as otherwise provided in subparagraph (A) or (C) of such paragraph for the commencement of proceedings;

"(IV) as provided under section 804(b)(8); or

"(V) by no later than January 5 of a year specified in any other provision of section 804(b) for the filing of petitions for the commencement of proceedings, if a petition has not been filed by that date.

"(ii) Petitions to participate shall be filed by no later than 30 days after publication of notice of commencement of a proceeding under clause (i), except that the Copyright Royalty Judges may, for substantial good cause shown and if there is no prejudice to the participants that have already filed petitions, accept late petitions to participate at any time up to the date that is 90 days before the

date on which participants in the proceeding are to file their written direct statements. Notwithstanding the preceding sentence, petitioners whose petitions are filed more than 30 days after publication of notice of commencement of a proceeding are not eligible to object to a settlement reached during the voluntary negotiation period under paragraph (3), and any objection filed by such a petitioner shall not be taken into account by the Copyright Royalty Judges.

"(B) PETITIONS TO PARTICIPATE.—Each petition to participate in a proceeding shall describe the petitioner's interest in the subject matter of the proceeding. Parties with similar interests may file a single petition to participate.

"(2) PARTICIPATION IN GENERAL.—Subject to paragraph (4), a person may participate in a proceeding under this chapter, including through the submission of briefs or other information, only if—

"(A) that person has filed a petition to participate in accordance with paragraph (1) (either individually or as a group under paragraph (1)(B)), together with a filing fee of $150;

"(B) the Copyright Royalty Judges have not determined that the petition to participate is facially invalid; and

"(C) the Copyright Royalty Judges have not determined, sua sponte or on the motion of another participant in the proceeding, that the person lacks a significant interest in the proceeding.

"(3) VOLUNTARY NEGOTIATION PERIOD.—

Records.

"(A) IN GENERAL.—Promptly after the date for filing of petitions to participate in a proceeding, the Copyright Royalty Judges shall make available to all participants in the proceeding a list of such participants and shall initiate a voluntary negotiation period among the participants.

"(B) LENGTH OF PROCEEDINGS.—The voluntary negotiation period initiated under subparagraph (A) shall be 3 months.

"(C) DETERMINATION OF SUBSEQUENT PROCEEDINGS.—At the close of the voluntary negotiation proceedings, the Copyright Royalty Judges shall, if further proceedings under this chapter are necessary, determine whether and to what extent paragraphs (4) and (5) will apply to the parties.

"(4) SMALL CLAIMS PROCEDURE IN DISTRIBUTION PROCEEDINGS.—

"(A) IN GENERAL.—If, in a proceeding under this chapter to determine the distribution of royalties, the contested amount of a claim is $10,000 or less, the Copyright Royalty Judges shall decide the controversy on the basis of the filing of the written direct statement by the participant, the response by any opposing participant, and 1 additional response by each such party. The participant asserting the claim shall not be required to pay the filing fee under paragraph (2).

"(B) BAD FAITH INFLATION OF CLAIM.—If the Copyright Royalty Judges determine that a participant asserts in

bad faith an amount in controversy in excess of $10,000 for the purpose of avoiding a determination under the procedure set forth in subparagraph (A), the Copyright Royalty Judges shall impose a fine on that participant in an amount not to exceed the difference between the actual amount distributed and the amount asserted by the participant.

"(5) PAPER PROCEEDINGS.—The Copyright Royalty Judges in proceedings under this chapter may decide, sua sponte or upon motion of a participant, to determine issues on the basis of the filing of the written direct statement by the participant, the response by any opposing participant, and one additional response by each such participant. Prior to making such decision to proceed on such a paper record only, the Copyright Royalty Judges shall offer to all parties to the proceeding the opportunity to comment on the decision. The procedure under this paragraph—

"(A) shall be applied in cases in which there is no genuine issue of material fact, there is no need for evidentiary hearings, and all participants in the proceeding agree in writing to the procedure; and Applicability.

"(B) may be applied under such other circumstances as the Copyright Royalty Judges consider appropriate.

"(6) REGULATIONS.—

"(A) IN GENERAL.—The Copyright Royalty Judges may issue regulations to carry out their functions under this title. All regulations issued by the Copyright Royalty Judges are subject to the approval of the Librarian of Congress. Not later than 120 days after Copyright Royalty Judges or interim Copyright Royalty Judges, as the case may be, are first appointed after the enactment of the Copyright Royalty and Distribution Reform Act of 2004, such judges shall issue regulations to govern proceedings under this chapter. Deadline.

"(B) INTERIM REGULATIONS.—Until regulations are adopted under subparagraph (A), the Copyright Royalty Judges shall apply the regulations in effect under this chapter on the day before the effective date of the Copyright Royalty and Distribution Reform Act of 2004, to the extent such regulations are not inconsistent with this chapter, except that functions carried out under such regulations by the Librarian of Congress, the Register of Copyrights, or copyright arbitration royalty panels that, as of such date of enactment, are to be carried out by the Copyright Royalty Judges under this chapter, shall be carried out by the Copyright Royalty Judges under such regulations. Applicability.

"(C) REQUIREMENTS.—Regulations issued under subparagraph (A) shall include the following:

"(i) The written direct statements of all participants in a proceeding under paragraph (2) shall be filed by a date specified by the Copyright Royalty Judges, which may be not earlier than 4 months, and not later than 5 months, after the end of the voluntary negotiation period under paragraph (3). Notwithstanding the preceding sentence, the Copyright Royalty Judges may allow a participant in a proceeding to file an amended written direct statement based on Deadlines. Records.

new information received during the discovery process, within 15 days after the end of the discovery period specified in clause (iii).

"(ii)(I) Following the submission to the Copyright Royalty Judges of written direct statements by the participants in a proceeding under paragraph (2), the judges shall meet with the participants for the purpose of setting a schedule for conducting and completing discovery. Such schedule shall be determined by the Copyright Royalty Judges.

"(II) In this chapter, the term 'written direct statements' means witness statements, testimony, and exhibits to be presented in the proceedings, and such other information that is necessary to establish terms and rates, or the distribution of royalty payments, as the case may be, as set forth in regulations issued by the Copyright Royalty Judges.

"(iii) Hearsay may be admitted in proceedings under this chapter to the extent deemed appropriate by the Copyright Royalty Judges.

Deadline.

"(iv) Discovery in such proceedings shall be permitted for a period of 60 days, except for discovery ordered by the Copyright Royalty Judges in connection with the resolution of motions, orders, and disputes pending at the end of such period.

"(v) Any participant under paragraph (2) in a proceeding under this chapter to determine royalty rates may request of an opposing participant nonprivileged documents directly related to the written direct statement or written rebuttal statement of that participant. Any objection to such a request shall be resolved by a motion or request to compel production made to the Copyright Royalty Judges in accordance with regulations adopted by the Copyright Royalty Judges. Each motion or request to compel discovery shall be determined by the Copyright Royalty Judges, or by a Copyright Royalty Judge when permitted under subsection (a)(2). Upon such motion, the Copyright Royalty Judges may order discovery pursuant to regulations established under this paragraph.

"(vi)(I) Any participant under paragraph (2) in a proceeding under this chapter to determine royalty rates may, by means of written motion or on the record, request of an opposing participant or witness other relevant information and materials if, absent the discovery sought, the Copyright Royalty Judges' resolution of the proceeding would be substantially impaired. In determining whether discovery will be granted under this clause, the Copyright Royalty Judges may consider—

"(aa) whether the burden or expense of producing the requested information or materials outweighs the likely benefit, taking into account the needs and resources of the participants, the importance of the issues at stake, and the probative value of the requested information or materials in resolving such issues;

"(bb) whether the requested information or materials would be unreasonably cumulative or duplicative, or are obtainable from another source that is more convenient, less burdensome, or less expensive; and

"(cc) whether the participant seeking discovery has had ample opportunity by discovery in the proceeding or by other means to obtain the information sought.

"(II) This clause shall not apply to any proceeding scheduled to commence after December 31, 2010.

"(vii) In a proceeding under this chapter to determine royalty rates, the participants entitled to receive royalties shall collectively be permitted to take no more than 10 depositions and secure responses to no more than 25 interrogatories, and the participants obligated to pay royalties shall collectively be permitted to take no more than 10 depositions and secure responses to no more than 25 interrogatories. The Copyright Royalty Judges shall resolve any disputes among similarly aligned participants to allocate the number of depositions or interrogatories permitted under this clause.

"(viii) The rules and practices in effect on the day before the effective date of the Copyright Royalty and Distribution Reform Act of 2004, relating to discovery in proceedings under this chapter to determine the distribution of royalty fees, shall continue to apply to such proceedings on and after such effective date. Applicability.

"(ix) In proceedings to determine royalty rates, the Copyright Royalty Judges may issue a subpoena commanding a participant or witness to appear and give testimony, or to produce and permit inspection of documents or tangible things, if the Copyright Royalty Judges' resolution of the proceeding would be substantially impaired by the absence of such testimony or production of documents or tangible things. Such subpoena shall specify with reasonable particularity the materials to be produced or the scope and nature of the required testimony. Nothing in this clause shall preclude the Copyright Royalty Judges from requesting the production by a nonparticipant of information or materials relevant to the resolution by the Copyright Royalty Judges of a material issue of fact.

"(x) The Copyright Royalty Judges shall order a settlement conference among the participants in the proceeding to facilitate the presentation of offers of settlement among the participants. The settlement conference shall be held during a 21-day period following the end of the discovery period and shall take place outside the presence of the Copyright Royalty Judges.

"(xi) No evidence, including exhibits, may be submitted in the written direct statement or written rebuttal statement of a participant without a sponsoring witness, except where the Copyright Royalty Judges have taken official notice, or in the case of

incorporation by reference of past records, or for good cause shown.

"(c) DETERMINATION OF COPYRIGHT ROYALTY JUDGES.—

Deadlines.

"(1) TIMING.—The Copyright Royalty Judges shall issue their determination in a proceeding not later than 11 months after the conclusion of the 21-day settlement conference period under subsection (b)(6)(C)(x), but, in the case of a proceeding to determine successors to rates or terms that expire on a specified date, in no event later than 15 days before the expiration of the then current statutory rates and terms.

"(2) REHEARINGS.—

"(A) IN GENERAL.—The Copyright Royalty Judges may, in exceptional cases, upon motion of a participant in a proceeding under subsection (b)(2), order a rehearing, after the determination in the proceeding is issued under paragraph (1), on such matters as the Copyright Royalty Judges determine to be appropriate.

Deadline.

"(B) TIMING FOR FILING MOTION.—Any motion for a rehearing under subparagraph (A) may only be filed within 15 days after the date on which the Copyright Royalty Judges deliver to the participants in the proceeding their initial determination concerning rates and terms.

"(C) PARTICIPATION BY OPPOSING PARTY NOT REQUIRED.—In any case in which a rehearing is ordered, any opposing party shall not be required to participate in the rehearing, except that nonparticipation may give rise to the limitations with respect to judicial review provided for in subsection (d)(1).

"(D) NO NEGATIVE INFERENCE.—No negative inference shall be drawn from lack of participation in a rehearing.

"(E) CONTINUITY OF RATES AND TERMS.—(i) If the decision of the Copyright Royalty Judges on any motion for a rehearing is not rendered before the expiration of the statutory rates and terms that were previously in effect, in the case of a proceeding to determine successors to rates and terms that expire on a specified date, then—

Effective date.

"(I) the initial determination of the Copyright Royalty Judges that is the subject of the rehearing motion shall be effective as of the day following the date on which the rates and terms that were previously in effect expire; and

"(II) in the case of a proceeding under section 114(f)(1)(C) or 114(f)(2)(C), royalty rates and terms shall, for purposes of section 114(f)(4)(B), be deemed to have been set at those rates and terms contained in the initial determination of the Copyright Royalty Judges that is the subject of the rehearing motion, as of the date of that determination.

"(ii) The pendency of a motion for a rehearing under this paragraph shall not relieve persons obligated to make royalty payments who would be affected by the determination on that motion from providing the statements of account and any reports of use, to the extent required, and paying the royalties required under the relevant determination or regulations.

Deadlines.

"(iii) Notwithstanding clause (ii), whenever royalties described in clause (ii) are paid to a person other than

the Copyright Office, the entity designated by the Copyright Royalty Judges to which such royalties are paid by the copyright user (and any successor thereto) shall, within 60 days after the motion for rehearing is resolved or, if the motion is granted, within 60 days after the rehearing is concluded, return any excess amounts previously paid to the extent necessary to comply with the final determination of royalty rates by the Copyright Royalty Judges. Any underpayment of royalties resulting from a rehearing shall be paid within the same period.

"(3) CONTENTS OF DETERMINATION.—A determination of the Copyright Royalty Judges shall be supported by the written record and shall set forth the findings of fact relied on by the Copyright Royalty Judges. Among other terms adopted in a determination, the Copyright Royalty Judges may specify notice and recordkeeping requirements of users of the copyrights at issue that apply in lieu of those that would otherwise apply under regulations. Records.

"(4) CONTINUING JURISDICTION.—The Copyright Royalty Judges may, with the approval of the Register of Copyrights, issue an amendment to a written determination to correct any technical or clerical errors in the determination or to modify the terms, but not the rates, of royalty payments in response to unforeseen circumstances that would frustrate the proper implementation of such determination. Such amendment shall be set forth in a written addendum to the determination that shall be distributed to the participants of the proceeding and shall be published in the Federal Register. Federal Register, publication.

"(5) PROTECTIVE ORDER.—The Copyright Royalty Judges may issue such orders as may be appropriate to protect confidential information, including orders excluding confidential information from the record of the determination that is published or made available to the public, except that any terms or rates of royalty payments or distributions may not be excluded.

"(6) PUBLICATION OF DETERMINATION.—By no later than the end of the 60-day period provided in section 802(f)(1)(D), the Librarian of Congress shall cause the determination, and any corrections thereto, to be published in the Federal Register. The Librarian of Congress shall also publicize the determination and corrections in such other manner as the Librarian considers appropriate, including, but not limited to, publication on the Internet. The Librarian of Congress shall also make the determination, corrections, and the accompanying record available for public inspection and copying. Deadline. Federal Register, publication. Records.

"(7) LATE PAYMENT.—A determination of Copyright Royalty Judges may include terms with respect to late payment, but in no way shall such terms prevent the copyright holder from asserting other rights or remedies provided under this title.

"(d) JUDICIAL REVIEW.—

"(1) APPEAL.—Any determination of the Copyright Royalty Judges under subsection (c) may, within 30 days after the publication of the determination in the Federal Register, be appealed, to the United States Court of Appeals for the District of Columbia Circuit, by any aggrieved participant in the proceeding under subsection (b)(2) who fully participated in the proceeding and who would be bound by the determination. Deadlines.

Any participant that did not participate in a rehearing may not raise any issue that was the subject of that rehearing at any stage of judicial review of the hearing determination. If no appeal is brought within that 30-day period, the determination of the Copyright Royalty Judges shall be final, and the royalty fee or determination with respect to the distribution of fees, as the case may be, shall take effect as set forth in paragraph (2).

Effective dates.

"(2) EFFECT OF RATES.—

"(A) EXPIRATION ON SPECIFIED DATE.—When this title provides that the royalty rates and terms that were previously in effect are to expire on a specified date, any adjustment or determination by the Copyright Royalty Judges of successor rates and terms for an ensuing statutory license period shall be effective as of the day following the date of expiration of the rates and terms that were previously in effect, even if the determination of the Copyright Royalty Judges is rendered on a later date. A licensee shall be obligated to continue making payments under the rates and terms previously in effect until such time as rates and terms for the successor period are established.

Deadline.

Whenever royalties pursuant to this section are paid to a person other than the Copyright Office, the entity designated by the Copyright Royalty Judges to which such royalties are paid by the copyright user (and any successor thereto) shall, within 60 days after the final determination of the Copyright Royalty Judges establishing rates and terms for a successor period or the exhaustion of all rehearings or appeals of such determination, if any, return any excess amounts previously paid to the extent necessary to comply with the final determination of royalty rates. Any underpayment of royalties by a copyright user shall be paid to the entity designated by the Copyright Royalty Judges within the same period.

"(B) OTHER CASES.—In cases where rates and terms have not, prior to the inception of an activity, been established for that particular activity under the relevant license, such rates and terms shall be retroactive to the inception of activity under the relevant license covered by such rates and terms. In other cases where rates and terms do not expire on a specified date, successor rates and terms shall take effect on the first day of the second month that begins after the publication of the determination of the Copyright Royalty Judges in the Federal Register, except as otherwise provided in this title, or by the Copyright Royalty Judges, or as agreed by the participants in a proceeding that would be bound by the rates and terms. Except as otherwise provided in this title, the rates and terms, to the extent applicable, shall remain in effect until such successor rates and terms become effective.

"(C) OBLIGATION TO MAKE PAYMENTS.—

"(i) The pendency of an appeal under this subsection shall not relieve persons obligated to make royalty payments under section 111, 112, 114, 115, 116, 118, 119, or 1003, who would be affected by the determination on appeal, from—

"(I) providing the statements of account and any report of use; and

"(II) paying the royalties required under the relevant determination or regulations.

"(ii) Notwithstanding clause (i), whenever royalties described in clause (i) are paid to a person other than the Copyright Office, the entity designated by the Copyright Royalty Judges to which such royalties are paid by the copyright user (and any successor thereto) shall, within 60 days after the final resolution of the appeal, return any excess amounts previously paid (and interest thereon, if ordered pursuant to paragraph (3)) to the extent necessary to comply with the final determination of royalty rates on appeal. Any underpayment of royalties resulting from an appeal (and interest thereon, if ordered pursuant to paragraph (3)) shall be paid within the same period. Deadline.

"(3) JURISDICTION OF COURT.—If the court, pursuant to section 706 of title 5, modifies or vacates a determination of the Copyright Royalty Judges, the court may enter its own determination with respect to the amount or distribution of royalty fees and costs, and order the repayment of any excess fees, the payment of any underpaid fees, and the payment of interest pertaining respectively thereto, in accordance with its final judgment. The court may also vacate the determination of the Copyright Royalty Judges and remand the case to the Copyright Royalty Judges for further proceedings in accordance with subsection (a).

"(e) ADMINISTRATIVE MATTERS.—

"(1) DEDUCTION OF COSTS OF LIBRARY OF CONGRESS AND COPYRIGHT OFFICE FROM FILING FEES.—

"(A) DEDUCTION FROM FILING FEES.—The Librarian of Congress may, to the extent not otherwise provided under this title, deduct from the filing fees collected under subsection (b) for a particular proceeding under this chapter the reasonable costs incurred by the Librarian of Congress, the Copyright Office, and the Copyright Royalty Judges in conducting that proceeding, other than the salaries of the Copyright Royalty Judges and the 3 staff members appointed under section 802(b).

"(B) AUTHORIZATION OF APPROPRIATIONS.—There are authorized to be appropriated such sums as may be necessary to pay the costs incurred under this chapter not covered by the filing fees collected under subsection (b). All funds made available pursuant to this subparagraph shall remain available until expended.

"(2) POSITIONS REQUIRED FOR ADMINISTRATION OF COMPULSORY LICENSING.—Section 307 of the Legislative Branch Appropriations Act, 1994, shall not apply to employee positions in the Library of Congress that are required to be filled in order to carry out section 111, 112, 114, 115, 116, 118, or 119 or chapter 10.

"§ 804. Institution of proceedings

"(a) FILING OF PETITION.—With respect to proceedings referred to in paragraphs (1) and (2) of section 801(b) concerning the determination or adjustment of royalty rates as provided in sections 111, 112, 114, 115, 116, 118, 119, and 1004, during the calendar Notices. Federal Register, publication.

years specified in the schedule set forth in subsection (b), any owner or user of a copyrighted work whose royalty rates are specified by this title, or are established under this chapter before or after the enactment of the Copyright Royalty and Distribution Reform Act of 2004, may file a petition with the Copyright Royalty Judges declaring that the petitioner requests a determination or adjustment of the rate. The Copyright Royalty Judges shall make a determination as to whether the petitioner has such a significant interest in the royalty rate in which a determination or adjustment is requested. If the Copyright Royalty Judges determine that the petitioner has such a significant interest, the Copyright Royalty Judges shall cause notice of this determination, with the reasons for such determination, to be published in the Federal Register, together with the notice of commencement of proceedings under this chapter. With respect to proceedings under paragraph (1) of section 801(b) concerning the determination or adjustment of royalty rates as provided in sections 112 and 114, during the calendar years specified in the schedule set forth in subsection (b), the Copyright Royalty Judges shall cause notice of commencement of proceedings under this chapter to be published in the Federal Register as provided in section 803(b)(1)(A).

"(b) TIMING OF PROCEEDINGS.—

"(1) SECTION 111 PROCEEDINGS.—(A) A petition described in subsection (a) to initiate proceedings under section 801(b)(2) concerning the adjustment of royalty rates under section 111 to which subparagraph (A) or (D) of section 801(b)(2) applies may be filed during the year 2005 and in each subsequent fifth calendar year.

"(B) In order to initiate proceedings under section 801(b)(2) concerning the adjustment of royalty rates under section 111 to which subparagraph (B) or (C) of section 801(b)(2) applies, within 12 months after an event described in either of those subsections, any owner or user of a copyrighted work whose royalty rates are specified by section 111, or by a rate established under this chapter before or after the enactment of the Copyright Royalty and Distribution Reform Act of 2004, may file a petition with the Copyright Royalty Judges declaring that the petitioner requests an adjustment of the rate. The Copyright Royalty Judges shall then proceed as set forth in subsection (a) of this section. Any change in royalty rates made under this chapter pursuant to this subparagraph may be reconsidered in the year 2005, and each fifth calendar year thereafter, in accordance with the provisions in section 801(b)(3)(B) or (C), as the case may be. A petition for adjustment of rates established by section 111(d)(1)(B) as a result of a change is the rules and regulations of the Federal Communications Commission shall set forth the change on which the petition is based.

Effective date.

"(C) Any adjustment of royalty rates under section 111 shall take effect as of the first accounting period commencing after the publication of the determination of the Copyright Royalty Judges in the Federal Register, or on such other date as is specified in that determination.

Effective date.

"(2) CERTAIN SECTION 112 PROCEEDINGS.—Proceedings under this chapter shall be commenced in the year 2007 to determine reasonable terms and rates of royalty payments for the activities described in section 112(e)(1) relating to the

limitation on exclusive rights specified by section 114(d)(1)(C)(iv), to become effective on January 1, 2009. Such proceedings shall be repeated in each subsequent fifth calendar year.

"(3) SECTION 114 AND CORRESPONDING 112 PROCEEDINGS.— Effective dates. Termination date.

"(A) FOR ELIGIBLE NONSUBSCRIPTION SERVICES AND NEW SUBSCRIPTION SERVICES.—Proceedings under this chapter shall be commenced as soon as practicable after the effective date of the Copyright Royalty and Distribution Reform Act of 2004 to determine reasonable terms and rates of royalty payments under sections 114 and 112 for the activities of eligible nonsubscription transmission services and new subscription services, to be effective for the period beginning on January 1, 2006, and ending on December 31, 2010. Such proceedings shall next be commenced in January 2009 to determine reasonable terms and rates of royalty payments, to become effective on January 1, 2011. Thereafter, such proceedings shall be repeated in each subsequent fifth calendar year.

"(B) FOR PREEXISTING SUBSCRIPTION AND SATELLITE DIGITAL AUDIO RADIO SERVICES.—Proceedings under this chapter shall be commenced in January 2006 to determine reasonable terms and rates of royalty payments under sections 114 and 112 for the activities of preexisting subscription services, to be effective during the period beginning on January 1, 2008, and ending on December 31, 2012, and preexisting satellite digital audio radio services, to be effective during the period beginning on January 1, 2007, and ending on December 31, 2012. Such proceedings shall next be commenced in 2011 to determine reasonable terms and rates of royalty payments, to become effective on January 1, 2013. Thereafter, such proceedings shall be repeated in each subsequent fifth calendar year. Effective dates. Termination dates.

"(C)(i) Notwithstanding any other provision of this chapter, this subparagraph shall govern proceedings commenced pursuant to section 114(f)(1)(C) and 114(f)(2)(C) concerning new types of services.

"(ii) Not later than 30 days after a petition to determine rates and terms for a new type of service that is filed by any copyright owner of sound recordings, or such new type of service, indicating that such new type of service is or is about to become operational, the Copyright Royalty Judges shall issue a notice for a proceeding to determine rates and terms for such service. Deadline. Notice.

"(iii) The proceeding shall follow the schedule set forth in such subsections (b), (c), and (d) of section 803, except that—

"(I) the determination shall be issued by not later than 24 months after the publication of the notice under clause (ii); and Deadline.

"(II) the decision shall take effect as provided in subsections (c)(2) and (d)(2) of section 803 and section 114(f)(4)(B)(ii) and (C). Effective date.

"(iv) The rates and terms shall remain in effect for the period set forth in section 114(f)(1)(C) or 114(f)(2)(C), as the case may be.

"(4) SECTION 115 PROCEEDINGS.—A petition described in subsection (a) to initiate proceedings under section 801(b)(1) concerning the adjustment or determination of royalty rates as provided in section 115 may be filed in the year 2006 and in each subsequent fifth calendar year, or at such other times as the parties have agreed under section 115(c)(3) (B) and (C).

Deadline.

"(5) SECTION 116 PROCEEDINGS.—(A) A petition described in subsection (a) to initiate proceedings under section 801(b) concerning the determination of royalty rates and terms as provided in section 116 may be filed at any time within 1 year after negotiated licenses authorized by section 116 are terminated or expire and are not replaced by subsequent agreements.

Deadline.

"(B) If a negotiated license authorized by section 116 is terminated or expires and is not replaced by another such license agreement which provides permission to use a quantity of musical works not substantially smaller than the quantity of such works performed on coin-operated phonorecord players during the 1-year period ending March 1, 1989, the Copyright Royalty Judges shall, upon petition filed under paragraph (1) within 1 year after such termination or expiration, commence a proceeding to promptly establish an interim royalty rate or rates for the public performance by means of a coin-operated phonorecord player of nondramatic musical works embodied in phonorecords which had been subject to the terminated or expired negotiated license agreement. Such rate or rates shall be the same as the last such rate or rates and shall remain in force until the conclusion of proceedings by the Copyright Royalty Judges, in accordance with section 803, to adjust the royalty rates applicable to such works, or until superseded by a new negotiated license agreement, as provided in section 116(b).

"(6) SECTION 118 PROCEEDINGS.—A petition described in subsection (a) to initiate proceedings under section 801(b)(1) concerning the determination of reasonable terms and rates of royalty payments as provided in section 118 may be filed in the year 2006 and in each subsequent fifth calendar year.

"(7) SECTION 1004 PROCEEDINGS.—A petition described in subsection (a) to initiate proceedings under section 801(b)(1) concerning the adjustment of reasonable royalty rates under section 1004 may be filed as provided in section 1004(a)(3).

Federal Register, publication. Notice.

"(8) PROCEEDINGS CONCERNING DISTRIBUTION OF ROYALTY FEES.—With respect to proceedings under section 801(b)(3) concerning the distribution of royalty fees in certain circumstances under section 111, 119, or 1007, the Copyright Royalty Judges shall, upon a determination that a controversy exists concerning such distribution, cause to be published in the Federal Register notice of commencement of proceedings under this chapter.

"§ 805. General rule for voluntarily negotiated agreements

"Any rates or terms under this title that—

"(1) are agreed to by participants to a proceeding under section 803(b)(3),

"(2) are adopted by the Copyright Royalty Judges as part of a determination under this chapter, and

"(3) are in effect for a period shorter than would otherwise apply under a determination pursuant to this chapter,

shall remain in effect for such period of time as would otherwise apply under such determination, except that the Copyright Royalty Judges shall adjust the rates pursuant to the voluntary negotiations to reflect national monetary inflation during the additional period the rates remain in effect.".

(b) CONFORMING AMENDMENT.—The table of chapters for title 17, United States Code, is amended by striking the item relating to chapter 8 and inserting the following:

"8. Proceedings by Copyright Royalty Judges ..... 801".

SEC. 4. DEFINITION.

Section 101 is amended by inserting after the definition of "copies" the following:

"A 'Copyright Royalty Judge' is a Copyright Royalty Judge appointed under section 802 of this title, and includes any individual serving as an interim Copyright Royalty Judge under such section.".

SEC. 5. TECHNICAL AMENDMENTS.

(a) CABLE RATES.—Section 111(d) is amended—

(1) in paragraph (2), in the second sentence, by striking "a copyright arbitration royalty panel" and inserting "the Copyright Royalty Judges."; and

(2) in paragraph (4)—

(A) in subparagraph (A), by striking "Librarian of Congress" each place it appears and inserting "Copyright Royalty Judges";

(B) in subparagraph (B)—

(i) in the first sentence, by striking "Librarian of Congress shall, upon the recommendation of the Register of Copyrights," and inserting "Copyright Royalty Judges shall";

(ii) in the second sentence, by striking "Librarian determines" and inserting "Copyright Royalty Judges determine"; and

(iii) in the third sentence—

(I) by striking "Librarian" each place it appears and inserting "Copyright Royalty Judges"; and

(II) by striking "convene a copyright arbitration royalty panel" and inserting "conduct a proceeding"; and

(C) in subparagraph (C), by striking "Librarian of Congress" and inserting "Copyright Royalty Judges".

(b) EPHEMERAL RECORDINGS.—Section 112(e) is amended—

(1) in paragraph (3)—

(A) by amending the first sentence to read as follows: "Proceedings under chapter 8 shall determine reasonable rates and terms of royalty payments for the activities specified by paragraph (1) during the 5-year period beginning on January 1 of the second year following the year in which the proceedings are to be commenced, or such other period as the parties may agree.";

(B) in the third sentence, by striking "Librarian of Congress" and inserting "Copyright Royalty Judges"; and

(C) in the fourth sentence, by striking "negotiation";

(2) in paragraph (4)—

(A) by amending the first sentence to read as follows: "The schedule of reasonable rates and terms determined by the Copyright Royalty Judges shall, subject to paragraph (5), be binding on all copyright owners of sound recordings and transmitting organizations entitled to a statutory license under this subsection during the 5-year period specified in paragraph (3), or such other period as the parties may agree.";

(B) by striking "copyright arbitration royalty panel" each subsequent place it appears and inserting "Copyright Royalty Judges";

(C) in the fourth sentence, by striking "its decision" and inserting "their decision";

(D) in the fifth sentence, by striking "negotiated as provided" and inserting "described"; and

(E) in the last sentence, by striking "Librarian of Congress" and inserting "Copyright Royalty Judges";

(3) in paragraph (5), by striking "determination by a copyright arbitration royalty panel or decision by the Librarian of Congress" and inserting "decision by the Librarian of Congress or determination by the Copyright Royalty Judges";

(4) by striking paragraph (6) and redesignating paragraphs (7), (8), and (9), as paragraphs (6), (7), and (8), respectively; and

(5) in paragraph (6)(A), as so redesignated, by striking "Librarian of Congress" and inserting "Copyright Royalty Judges".

(c) SCOPE OF EXCLUSIVE RIGHTS IN SOUND RECORDINGS.—Section 114(f) is amended—

(1) in paragraph (1)—

(A) in subparagraph (A)—

(i) by amending the first sentence to read as follows: "Proceedings under chapter 8 shall determine reasonable rates and terms of royalty payments for subscription transmissions by preexisting subscription services and transmissions by preexisting satellite digital audio radio services specified by subsection (d)(2) during the 5-year period beginning on January 1 of the second year following the year in which the proceedings are to be commenced, except where a different transitional period is provided under section 6(b)(3) of the Copyright Royalty and Distribution Reform Act of 2004 or such other period.";

(ii) in the third sentence, by striking "Librarian of Congress" and inserting "Copyright Royalty Judges"; and

(iii) in the fourth sentence, by striking "negotiation";

(B) in subparagraph (B)—

(i) by amending the first sentence to read as follows: "The schedule of reasonable rates and terms determined by the Copyright Royalty Judges shall, subject to paragraph (3), be binding on all copyright owners of sound recordings and entities performing sound recordings affected by this paragraph during

the 5-year period specified in subparagraph (A), a transitional period provided under section 6(b)(3) of the Copyright Royalty and Distribution Reform Act of 2004, or such other period as the parties may agree.";

(ii) in the second sentence, by striking "copyright arbitration royalty panel" and inserting "Copyright Royalty Judges"; and

(iii) in the second sentence, by striking "negotiated as provided" and inserting "described"; and

(C) by amending subparagraph (C) to read as follows:

"(C) The procedures under subparagraphs (A) and (B) also shall be initiated pursuant to a petition filed by any copyright owners of sound recordings, any preexisting subscription services, or any preexisting satellite digital audio radio services indicating that a new type of subscription digital audio transmission service on which sound recordings are performed is or is about to become operational, for the purpose of determining reasonable terms and rates of royalty payments with respect to such new type of transmission service for the period beginning with the inception of such new type of service and ending on the date on which the royalty rates and terms for subscription digital audio transmission services most recently determined under subparagraph (A) or (B) and chapter 8 expire, or such other period as the parties may agree.";

(2) in paragraph (2)—

(A) in subparagraph (A)—

(i) by amending the first paragraph to read as follows: "Proceedings under chapter 8 shall determine reasonable rates and terms of royalty payments for subscription transmissions by eligible nonsubscription transmission services and transmissions by new subscription services specified by subsection (d)(2) during the 5-year period beginning on January 1 of the second year following the year in which the proceedings are to be commenced, except where a different transitional period is provided under section 6(b)(3) of the Copyright Royalty and Distribution Reform Act of 2004, or such other period as the parties may agree.";

(ii) in the third sentence, by striking "Librarian of Congress" and inserting "Copyright Royalty Judges"; and

(iii) in the fourth sentence, by striking "negotiation";

(B) in subparagraph (B)—

(i) by amending the first sentence to read as follows: "The schedule of reasonable rates and terms determined by the Copyright Royalty Judges shall, subject to paragraph (3), be binding on all copyright owners of sound recordings and entities performing sound recordings affected by this paragraph during the 5-year period specified in subparagraph (A), a transitional period provided under section 6(b)(3) of the Copyright Royalty and Distribution Act of 2004, or such other period as the parties may agree.";

(ii) by striking "copyright arbitration royalty panel" each subsequent place it appears and inserting "Copyright Royalty Judges"; and

(iii) in the last sentence by striking "negotiated as provided" and inserting "described in"; and

(C) by amending subparagraph (C) to read as follows:

"(C) The procedures under subparagraphs (A) and (B) shall also be initiated pursuant to a petition filed by any copyright owners of sound recordings or any eligible nonsubscription service or new subscription service indicating that a new type of eligible nonsubscription service or new subscription service on which sound recordings are performed is or is about to become operational, for the purpose of determining reasonable terms and rates of royalty payments with respect to such new type of service for the period beginning with the inception of such new type of service and ending on the date on which the royalty rates and terms for preexisting subscription digital audio transmission services or preexisting satellite digital radio audio services, as the case may be, most recently determined under subparagraph (A) or (B) and chapter 8 expire, or such other period as the parties may agree.";

(3) in paragraph (3), by striking "determination by a copyright arbitration royalty panel or decision by the Librarian of Congress" and inserting "decision by the Librarian of Congress or determination by the Copyright Royalty Judges"; and

(4) in paragraph (4)—

(A) by striking "Librarian of Congress" each place it appears and inserting "Copyright Royalty Judges"; and

(B) by adding after the first sentence of subparagraph (A) the following: "The notice and recordkeeping rules in effect on the day before the effective date of the Copyright Royalty and Distribution Reform Act of 2004 shall remain in effect unless and until new regulations are promulgated by the Copyright Royalty Judges. If new regulations are promulgated under this subparagraph, the Copyright Royalty Judges shall take into account the substance and effect of the rules in effect on the day before the effective date of the Copyright Royalty and Distribution Reform Act of 2004 and shall, to the extent practicable, avoid significant disruption of the functions of any designated agent authorized to collect and distribute royalty fees.".

(d) PHONORECORDS OF NONDRAMATIC MUSICAL WORKS.—Section 115(c)(3) is amended—

(1) in subparagraph (A)(ii), by striking "(F)" and inserting "(E)";

(2) in subparagraph (B)—

(A) by striking "under this paragraph" and inserting "under this section";

(B) by inserting "on a nonexclusive basis" after "common agents"; and

(C) by striking "subparagraphs (C) through (F)" and inserting "this subparagraph and subparagraphs (C) through (E)"; and

(3) in subparagraph (C)—

(A) by amending the first sentence to read as follows: "Proceedings under chapter 8 shall determine reasonable rates and terms of royalty payments for the activities specified by this section during the period beginning with the effective date of such rates and terms, but not earlier than January 1 of the second year following the year in

which the petition requesting the proceeding is filed, and ending on the effective date of successor rates and terms, or such other period as the parties may agree.";

(B) in the third sentence, by striking "Librarian of Congress" and inserting "Copyright Royalty Judges"; and

(C) in the fourth sentence, by striking "negotiation";

(4) in subparagraph (D)—

(A) by amending the first sentence to read as follows: "The schedule of reasonable rates and terms determined by the Copyright Royalty Judges shall, subject to subparagraph (E), be binding on all copyright owners of nondramatic musical works and persons entitled to obtain a compulsory license under subsection (a)(1) during the period specified in subparagraph (C), such other period as may be determined pursuant to subparagraphs (B) and (C), or such other period as the parties may agree.";

(B) in the third sentence, by striking "copyright arbitration royalty panel" and inserting "Copyright Royalty Judges";

(C) in the third sentence, by striking "negotiated as provided in subparagraphs (B) and (C)" and inserting "described"; and

(D) in the last sentence, by striking "Librarian of Congress" and inserting "Copyright Royalty Judges".

(5) in subparagraph (E)—

(A) in clause (i)—

(i) in the first sentence, by striking "Librarian of Congress" and inserting "Librarian of Congress and Copyright Royalty Judges"; and

(ii) in the second sentence, by striking "(C), (D) or (F) shall be given effect" and inserting "(C) or (D) shall be given effect as to digital phonorecord deliveries"; and

(B) in clause (ii)(I), by striking "(C), (D) or (F)" each place it appears and inserting "(C) or (D)"; and

(6) by striking subparagraph (F) and redesignating subparagraphs (G) through (L) as subparagraphs (F) through (K), respectively.

(e) COIN-OPERATED PHONORECORD PLAYERS.—Section 116 is amended—

(1) in subsection (b), by amending paragraph (2) to read as follows:

"(2) CHAPTER 8 PROCEEDING.—Parties not subject to such a negotiation may have the terms and rates and the division of fees described in paragraph (1) determined in a proceeding in accordance with the provisions of chapter 8."; and

(2) in subsection (c)—

(A) in the subsection heading, by striking "COPYRIGHT ARBITRATION ROYALTY PANEL DETERMINATIONS" and inserting "DETERMINATIONS BY COPYRIGHT ROYALTY JUDGES"; and

(B) by striking "a copyright arbitration royalty panel" and inserting "the Copyright Royalty Judges".

(f) USE OF CERTAIN WORKS IN CONNECTION WITH NONCOMMERCIAL BROADCASTING.—Section 118 is amended—

(1) in subsection (b)—

(A) in paragraph (1)—

(i) in the first sentence, by striking "Librarian of Congress" and inserting "Copyright Royalty Judges"; and

(ii) by striking the second and third sentences;

Deadline.

(B) in paragraph (2), by striking "Librarian of Congress:" and all that follows through the end of the sentence and inserting "Librarian of Congress or the Copyright Royalty Judges, if copies of such agreements are filed with the Copyright Royalty Judges within 30 days of execution in accordance with regulations that the Copyright Royalty Judges shall issue."; and

(C) in paragraph (3)—

(i) in the second sentence—

(I) by striking "copyright arbitration royalty panel" and inserting "Copyright Royalty Judges"; and

(II) by striking "paragraph (2)." and inserting "paragraph (2) or (3).";

(ii) in the last sentence, by striking "'Librarian of Congress" and inserting "Copyright Royalty Judges"; and

(iii) by striking "(3) In" and all that follows through the end of the first sentence and inserting the following:

"(3) Voluntary negotiation proceedings initiated pursuant to a petition filed under section 804(a) for the purpose of determining a schedule of terms and rates of royalty payments by public broadcasting entities to copyright owners in works specified by this subsection and the proportionate division of fees paid among various copyright owners shall cover the 5-year period beginning on January 1 of the second year following the year in which the petition is filed. The parties to each negotiation proceeding shall bear their own costs.

Federal Register, publication.

"(4) In the absence of license agreements negotiated under paragraph (2) or (3), the Copyright Royalty Judges shall, pursuant to chapter 8, conduct a proceeding to determine and publish in the Federal Register a schedule of rates and terms which, subject to paragraph (2), shall be binding on all owners of copyright in works specified by this subsection and public broadcasting entities, regardless of whether such copyright owners have submitted proposals to the Copyright Royalty Judges.";

(2) by striking subsection (c) and redesignating subsections (d) through (g) as subsections (c) through (f), respectively;

(3) in subsection (c), as so redesignated, in the matter preceding paragraph (1)—

(A) by striking "(b)(2)" and inserting "(b)(2) or (3)";

(B) by striking "(b)(3)" and inserting "(b)(4)"; and

(C) by striking "a copyright arbitration royalty panel under subsection (b)(3)" and inserting "the Copyright Royalty Judges under subsection (b)(3), to the extent that they were accepted by the Librarian of Congress";

(4) in subsection (d), as so redesignated—

(A) by striking "in the Copyright Office" and inserting "with the Copyright Royalty Judges"; and

(B) by striking "Register of Copyrights shall prescribe" and inserting "Copyright Royalty Judges shall prescribe as provided in section 803(b)(6)"; and

(5) in subsection (f), as so redesignated, by striking "(d)" and inserting "(c)".

(g) SECONDARY TRANSMISSIONS BY SATELLITE CARRIERS.—Section 119(b) is amended—

(1) in paragraph (3), by striking "Librarian of Congress" and inserting "Copyright Royalty Judges"; and

(2) in paragraph (4)—

(A) in subparagraph (A), by striking "Librarian of Congress" each place it appears and inserting "Copyright Royalty Judges"; and

(B) by amending subparagraphs (B) and (C) to read as follows:

"(B) DETERMINATION OF CONTROVERSY; DISTRIBUTIONS.—After the first day of August of each year, the Copyright Royalty Judges shall determine whether there exists a controversy concerning the distribution of royalty fees. If the Copyright Royalty Judges determine that no such controversy exists, the Librarian of Congress shall, after deducting reasonable administrative costs under this paragraph, distribute such fees to the copyright owners entitled to receive them, or to their designated agents. If the Copyright Royalty Judges find the existence of a controversy, the Copyright Royalty Judges shall, pursuant to chapter 8 of this title, conduct a proceeding to determine the distribution of royalty fees.

"(C) WITHHOLDING OF FEES DURING CONTROVERSY.—During the pendency of any proceeding under this subsection, the Copyright Royalty Judges shall withhold from distribution an amount sufficient to satisfy all claims with respect to which a controversy exists, but shall have the discretion to proceed to distribute any amounts that are not in controversy.".

(h) RATEMAKING FOR SATELLITE CARRIERS.—Section 119(c) of title 17, United States Code, is amended—

(1) in paragraph (2)—

(A) in subparagraph (B), by striking "Librarian of Congress" and inserting "Copyright Royalty Judges"; and

(B) in subparagraph (C), by striking "Register of Copyrights shall prescribe" and inserting "Copyright Royalty Judges shall prescribe as provided in section 803(b)(6); and

(2) in paragraph (3)—

(A) in subparagraph (A)—

(i) by striking "arbitration proceedings" and inserting "proceedings"; and

(ii) by striking "arbitration proceeding" and inserting "proceedings";

(B) in subparagraph (B)—

(i) by striking "copyright arbitration royalty panel appointed under chapter 8" and inserting "Copyright Royalty Judges"; and

(ii) by striking "panel shall base its decision" and inserting "Copyright Royalty Judges shall base their determination"; and

(C) in subparagraph (C)—

(i) in the heading, by striking "DECISION OF ARBITRATION PANEL OR ORDER OF LIBRARIAN" and inserting "DETERMINATION UNDER CHAPTER 8"; and

(ii) by striking clauses (i) and (ii) and inserting the following:

"(i) is made by the Copyright Royalty Judges pursuant to this paragraph and becomes final, or

"(ii) is made by the court on appeal under section 803(d)(3),".

(i) DIGITAL AUDIO RECORDING DEVICES.—

(1) ROYALTY PAYMENTS.—Section 1004(a)(3) is amended by striking "Librarian of Congress" each place it appears and inserting "Copyright Royalty Judges".

(2) ENTITLEMENT TO ROYALTY PAYMENTS.—Section 1006(c) is amended by striking "Librarian of Congress shall convene a copyright arbitration royalty panel which" and inserting "Copyright Royalty Judges".

(3) PROCEDURES FOR DISTRIBUTING ROYALTY PAYMENTS.—Section 1007 is amended—

(A) in subsection (a), by amending paragraph (1) to read as follows:

Regulations.

"(1) FILING OF CLAIMS.—During the first 2 months of each calendar year, every interested copyright party seeking to receive royalty payments to which such party is entitled under section 1006 shall file with the Copyright Royalty Judges a claim for payments collected during the preceding year in such form and manner as the Copyright Royalty Judges shall prescribe by regulation."; and

(B) by amending subsections (b) and (c) to read as follows:

"(b) DISTRIBUTION OF PAYMENTS IN THE ABSENCE OF A DISPUTE.—After the period established for the filing of claims under subsection (a), in each year, the Copyright Royalty Judges shall determine whether there exists a controversy concerning the distribution of royalty payments under section 1006(c). If the Copyright Royalty Judges determine that no such controversy exists, the Librarian of Congress shall, within 30 days after such determination, authorize the distribution of the royalty payments as set forth in the agreements regarding the distribution of royalty payments entered into pursuant to subsection (a). The Librarian of Congress shall, before such royalty payments are distributed, deduct the reasonable administrative costs incurred by the Librarian under this section.

Deadline.

"(c) RESOLUTION OF DISPUTES.—If the Copyright Royalty Judges find the existence of a controversy, the Copyright Royalty Judges shall, pursuant to chapter 8 of this title, conduct a proceeding to determine the distribution of royalty payments. During the pendency of such a proceeding, the Copyright Royalty Judges shall withhold from distribution an amount sufficient to satisfy all claims with respect to which a controversy exists, but shall, to the extent feasible, authorize the distribution of any amounts that are not in controversy. The Librarian of Congress shall, before such royalty payments are distributed, deduct the reasonable administrative costs incurred by the Librarian under this section.".

(4) DETERMINATION OF CERTAIN DISPUTES.—(A) Section 1010 is amended to read as follows:

"§ 1010. Determination of certain disputes

"(a) SCOPE OF DETERMINATION.—Before the date of first distribution in the United States of a digital audio recording device or a digital audio interface device, any party manufacturing, importing, or distributing such device, and any interested copyright party may mutually agree to petition the Copyright Royalty Judges to determine whether such device is subject to section 1002, or the basis on which royalty payments for such device are to be made under section 1003.

"(b) INITIATION OF PROCEEDINGS.—The parties under subsection (a) shall file the petition with the Copyright Royalty Judges requesting the commencement of a proceeding. Within 2 weeks after receiving such a petition, the Chief Copyright Royalty Judge shall cause notice to be published in the Federal Register of the initiation of the proceeding.

Deadline.
Notice.
Federal Register, publication.

"(c) STAY OF JUDICIAL PROCEEDINGS.—Any civil action brought under section 1009 against a party to a proceeding under this section shall, on application of one of the parties to the proceeding, be stayed until completion of the proceeding.

"(d) PROCEEDING.—The Copyright Royalty Judges shall conduct a proceeding with respect to the matter concerned, in accordance with such procedures as the Copyright Royalty Judges may adopt. The Copyright Royalty Judges shall act on the basis of a fully documented written record. Any party to the proceeding may submit relevant information and proposals to the Copyright Royalty Judges. The parties to the proceeding shall each bear their respective costs of participation.

"(e) JUDICIAL REVIEW.—Any determination of the Copyright Royalty Judges under subsection (d) may be appealed, by a party to the proceeding, in accordance with section 803(d) of this title. The pendency of an appeal under this subsection shall not stay the determination of the Copyright Royalty Judges. If the court modifies the determination of the Copyright Royalty Judges, the court shall have jurisdiction to enter its own decision in accordance with its final judgment. The court may further vacate the determination of the Copyright Royalty Judges and remand the case for proceedings as provided in this section.".

(B) The item relating to section 1010 in the table of sections for chapter 10 is amended to read as follows:

"1010. Determination of certain disputes.".

SEC. 6. EFFECTIVE DATE AND TRANSITION PROVISIONS.

17 USC 801 note.

(a) EFFECTIVE DATE.—This Act and the amendments made by this Act shall take effect 6 months after the date of enactment of this Act, except that the Librarian of Congress shall appoint 1 or more interim Copyright Royalty Judges under section 802(d) of title 17, United States Code, as amended by this Act, within 90 days after such date of enactment to carry out the functions of the Copyright Royalty Judges under title 17, United States Code, to the extent that Copyright Royalty Judges provided for in section 801(a) of title 17, United States Code, as amended by this Act, have not been appointed before the end of that 90-day period.

(b) TRANSITION PROVISIONS.—

(1) IN GENERAL.—Subject to paragraphs (2) and (3), the amendments made by this Act shall not affect any proceedings commenced, petitions filed, or voluntary agreements entered

into before the effective date provided in subsection (a) under the provisions of title 17, United States Code, as amended by this Act, and pending on such effective date. Such proceedings shall continue, determinations made in such proceedings, and appeals taken therefrom, as if this Act had not been enacted, and shall continue in effect until modified under title 17, United States Code, as amended by this Act. Such petitions filed and voluntary agreements entered into shall remain in effect as if this Act had not been enacted. For purposes of this paragraph, the Librarian of Congress may determine whether a proceeding has commenced. The Librarian of Congress may terminate any proceeding commenced before the date of enactment of this Act pursuant to chapter 8 of title 17, United States Code, and any proceeding so terminated shall become null and void. In such cases, the Copyright Royalty Judges may initiate a new proceeding in accordance with regulations adopted pursuant to section 803(b)(6) of title 17, United States Code.

(2) CERTAIN ROYALTY RATE PROCEEDINGS.—Notwithstanding paragraph (1), the amendments made by this Act shall not affect proceedings to determine royalty rates pursuant to section 119(c) of title 17, United States Code, that are commenced before January 31, 2006.

Termination date.

(3) PENDING PROCEEDINGS.—Notwithstanding paragraph (1), any proceedings to establish or adjust rates and terms for the statutory licenses under section 114(f)(2) or 112(e) of title 17, United States Code, for a statutory period commencing on or after January 1, 2005, shall be terminated upon the date of enactment of this Act and shall be null and void. The rates and terms in effect under section 114(f)(2) or 112(e) of title 17, United States Code, on December 31, 2004, for new subscription services, eligible nonsubscription services, and services exempt under section 114(d)(1)(C)(iv) of such title, and the rates and terms published in the Federal Register under the authority of the Small Webcaster Settlement Act of 2002 (17 U.S.C. 114 note; Public Law 107–321) (including the amendments made by that Act) for the years 2003 through 2004, as well as any notice and recordkeeping provisions adopted pursuant thereto, shall remain in effect until the later of the first applicable effective date for successor terms and rates specified in section 804(b) (2) or (3)(A) of title 17, United States Code, or such later date as the parties may agree or the Copyright Royalty Judges may establish. For the period commencing January 1, 2005, an eligible small webcaster or a noncommercial webcaster, as defined in the regulations published by the Register of Copyrights pursuant to the Small Webcaster Settlement Act of 2002 (17 U.S.C. 114 note; Public Law 107–321) (including the amendments made by that Act), may elect to be subject to the rates and terms published in those regulations by complying with the procedures governing the election process set forth in those regulations not later than the first date on which the webcaster would be obligated to make a royalty payment for such period. Until successor terms and rates have been established for the period commencing January 1, 2006, licensees shall continue to make royalty payments at the rates and on the terms previously

in effect, subject to retroactive adjustment when successor rates and terms for such services are established.

(4) INTERIM PROCEEDINGS.—Notwithstanding subsection (a), as soon as practicable after the date of enactment of this Act, the Copyright Royalty Judges or interim Copyright Royalty Judges shall publish the notice described in section 803(b)(1)(A) of title 17, United States Code, as amended by this Act, to initiate a proceeding to establish or adjust rates and terms for the statutory licenses under section 114(f)(2) or 112(e) of title 17, United States Code, for new subscription services and eligible nonsubscription services for the period commencing January 1, 2006. The Copyright Royalty Judges or Interim Copyright Royalty Judges are authorized to cause that proceeding to take place as provided in subsection (b) of section 803 of that title within the time periods set forth in that subsection. Notwithstanding section 803(c)(1) of that title, the Copyright Royalty Judges shall not be required to issue their determination in that proceeding before the expiration of the statutory rates and terms in effect on December 31, 2004. Publication. Notice.

(c) EXISTING APPROPRIATIONS.—Any funds made available in an appropriations Act to carry out chapter 8 of title 17, United States Code, shall be available to the extent necessary to carry out this section.

Approved November 30, 2004.

LEGISLATIVE HISTORY—H.R. 1417:

HOUSE REPORTS: No. 108–408 (Comm. on the Judiciary).
CONGRESSIONAL RECORD, Vol. 150 (2004):
Mar. 3, considered and passed House.
Oct. 6, considered and passed Senate, ameneded.
Nov. 17, House concurred in Senate amendment.

○

the Library of Congress and the Copyright Office as a result of the distribution proceeding, from the relevant royalty pool.

[59 FR 23981, May 9, 1994. Redesignated at 59 FR 63042, Dec. 7, 1994]

PART 253—USE OF CERTAIN COPYRIGHTED WORKS IN CONNECTION WITH NONCOMMERCIAL EDUCATIONAL BROADCASTING

Sec.

AUTHORITY: 17 U.S.C. 118, 801(b)(1) and 803.

SOURCE: 57 FR 60954, Dec. 22, 1992, unless otherwise noted. Redesignated at 59 FR 23993, May 9, 1994.

§ 253.1 General.

This part 253 establishes terms and rates of royalty payments for certain activities using published nondramatic musical works and published pictorial, graphic and sculptural works during a period beginning on January 1, 2003, and ending on December 31, 2007. Upon compliance with 17 U.S.C. 118, and the terms and rates of this part, a public broadcasting entity may engage in the activities with respect to such works set forth in 17 U.S.C. 118(d).

[57 FR 60954, Dec. 22, 1992. Redesignated at 59 FR 23993, May 9, 1994, as amended at 63 FR 2144, Jan 14, 1998; 67 FR 77171, Dec. 17, 2002]

§ 253.2 Definition of public broadcasting entity.

As used in this part, the term *public broadcasting entity* means a noncommercial educational broadcast station as defined in section 397 of title 47 and any nonprofit institution or organization engaged in the activities described in 17 U.S.C. 118(d)(2).

§ 253.3 [Reserved]

§ 253.4 Performance of musical compositions by PBS, NPR and other public broadcasting entities engaged in the activities set forth in 17 U.S.C. 118(d).

The following schedule of rates and terms shall apply to the performance by PBS, NPR and other public broadcasting entities engaged in activities set forth in 17 U.S.C. 118(d) of copyrighted published nondramatic musical compositions, except for public broadcasting entities covered by §§ 253.5 and 253.6, and except for compositions which are the subject of voluntary license agreements.

(a) Determination of royalty rate. (1) For performance of such work in a feature presentation of PBS:
2003–2007 ..... $224.22
(2) For performance of such a work as background or theme music in a PBS program:
2003–2007 ..... $56.81
(3) For performance of such a work in a feature presentation of a station of PBS:
2003–2007 ..... $19.16
(4) For performance of such a work as background or theme music in a program of a station of PBS:
2003–2007 ..... $4.04
(5) For the performance of such a work in a feature presentation of NPR:
2003–2007 ..... $22.73
(6) For the performance of such a work as background or theme music in an NPR program:
2003–2007 ..... $5.51
(7) For the performance of such a work in a feature presentation of a station of NPR:
2003–2007 ..... $1.61
(8) For the performance of such a work as background or theme music in a program of a station of NPR:
2003–2007 ..... $.57

(9) For purposes of this schedule the rate for the performance of theme music in an entire series shall be double the single program theme rate.

(10) In the event the work is first performed in a program of a station of PBS or NPR, and such program is subsequently distributed by PBS or NPR, an additional royalty payment shall be made equal to the difference between the rate specified in this section for a program of a station of PBS or NPR, respectively, and the rate specified in this section for a PBS or NPR program, respectively.

(b) *Payment of royalty rate.* The required royalty rate shall be paid to each known copyright owner not later than July 31 of each calendar year for uses during the first six months of that calendar year, and not later than January 31 for uses during the last six months of the preceding calendar year.

(c) *Records of use.* PBS and NPR shall, upon the request of a copyright owner of a published musical work who believes a musical composition of such owner has been performed under the terms of this schedule, permit such copyright owner a reasonable opportunity to examine their standard cue sheets listing the nondramatic performances of musical compositions on PBS and NPR programs. Any local PBS and NPR station that shall be required by the provisions of any voluntary license agreement with ASCAP or BMI covering the license period January 1, 2003, to December 31, 2007, to prepare a music use report shall, upon request of a copyright owner who believes a musical composition of such owner has been performed under the terms of this schedule, permit such copyright owner to examine the report.

(d) *Terms of use.* The fees provided in this schedule for the performance of a musical work in a program shall cover performances of such work in such program for a period of four years following the first performance.

[57 FR 60954, Dec. 22, 1992. Redesignated and amended at 59 FR 23993, May 9, 1994, and amended at 63 FR 2144, Jan 14, 1998; 67 FR 77171, Dec. 17, 2002]

§ 253.5 Performance of musical compositions by public broadcasting entities licensed to colleges and universities.

(a) *Scope.* This section applies to the performance of copyrighted published nondramatic musical compositions by noncommercial radio stations which are licensed to colleges, universities, or other nonprofit educational institutions and which are not affiliated with National Public Radio.

(b) *Voluntary license agreements.* Notwithstanding the schedule of rates and terms established in this section, the rates and terms of any license agreements entered into by copyright owners and colleges, universities, and other nonprofit educational institutions concerning the performance of copyrighted musical compositions, including performances by noncommercial radio stations, shall apply in lieu of the rates and terms of this section.

(c) *Royalty rate.* A public broadcasting entity within the scope of this section may perform published nondramatic musical compositions subject to the following schedule of royalty rates:

(1) For all such compositions in the repertory of ASCAP, $277 annually.

(2) For all such compositions in the repertory of BMI, $277 annually.

(3) For all such compositions in the repertory of SESAC, $90 annually.

(4) For the performance of any other such compositions: $1.

(d) *Payment of royalty rate.* The public broadcasting entity shall pay the required royalty rate to ASCAP, BMI and SESAC not later than January 31 of each year.

(e) *Records of use.* A public broadcasting entity subject to this section shall furnish to ASCAP, BMI and SESAC, upon request, a music-use report during one week of each calendar year. ASCAP, BMI and SESAC shall not in any one calendar year request more than 10 stations to furnish such reports.

[57 FR 60954, Dec. 22, 1992, as amended at 58 FR 63294, Dec. 1, 1993; 60 FR 61655, Dec. 1, 1995; 61 FR 60613, Nov. 29, 1996; 63 FR 2145, Jan. 14, 1998; 63 FR 66042, Dec. 1, 1998; 64 FR 67188, Dec. 1, 1999; 65 FR 75167, Dec. 1, 2000; 66 FR 59699, Nov. 30, 2001; 67 FR 71105, Nov. 29, 2002; 67 FR 77171, Dec. 17, 2002; 68 FR 67045, Dec. 1, 2003; 69 FR 69823, Dec. 1, 2004; 70 FR 72077, Dec. 1, 2005; 71 FR 69486, Dec. 1, 2006]

§ 253.6 Performance of musical compositions by other public broadcasting entities.

(a) *Scope.* This section applies to the performance of copyrighted published nondramatic musical compositions by radio stations not licensed to colleges, universities, or other nonprofit educational institutions and which are not affiliated with National Public Radio.

(b) *Voluntary license agreements.* Notwithstanding the schedule of rates and terms established in this section, the rates and terms of any license agreements entered into by copyright owners and noncommercial radio stations within the scope of this section concerning the performance of copyrighted musical compositions, including performances by noncommercial radio stations, shall apply in lieu of the rates and terms of this section.

(c) Royalty rate. A public broadcasting entity within the scope of this section may perform published nondramatic musical compositions subject to the following schedule of royalty rates:

(1) For all such compositions in the repertory of ASCAP, in 2003, $460; in 2004, $475; in 2005, $495; in 2006, $515; in 2007, $535.

(2) For all such compositions in the repertory of BMI, in 2003, $460; in 2004, $475; in 2005, $495; in 2006, $515; in $2007, $535.

(3) For all such compositions in the repertory of SESAC, in 2003, $98; in 2004, $100; in 2005, $102; in 2006, $104; in 2007, $106.

(4) For the performance of any other such compositions, in 2003 through 2007, $1.

(d) *Payment of royalty rate.* The public broadcasting entity shall pay the required royalty rate to ASCAP, BMI and SESAC not later than January 31 of each year.

(e) *Records of use.* A public broadcasting entity subject to this section shall furnish to ASCAP, BMI and SESAC, upon request, a music-use report during one week of each calendar year. ASCAP, BMI and SESAC each shall not in any one calendar year request more than 5 stations to furnish such reports.

[57 FR 60954, Dec. 22, 1992. Redesignated at 59 FR 23993, May 9, 1994, and amended at 60 FR 8198, Feb. 13, 1995; 63 FR 2145, Jan. 14, 1998; 67 FR 77172, Dec. 17, 2002]

§ 253.7 Recording rights, rates and terms.

(a) *Scope.* This section establishes rates and terms for the recording of nondramatic performances and displays of musical works, other than compositions subject to voluntary license agreements, on and for the radio and television programs of public broadcasting entities, whether or not in synchronization or timed relationship with the visual or aural content, and for the making, reproduction, and distribution of copies and phonorecords of public broadcasting programs containing such nondramatic performances and displays of musical works solely for the purpose of transmission by public broadcasting entities. The rates and terms established in this schedule include the making of the reproductions described in 17 U.S.C. 118(d)(3).

(b) Royalty rate. (1)(i) For uses described in paragraph (a) of this section of a musical work in a PBS-distributed program, the royalty fees shall be calculated by multiplying the following per-composition rates by the number of different compositions in that PBS-distributed program:

	2003–2007
Feature	$112.40
Concert feature (per minute)	33.75
Background	56.81
Theme:	
Single program or first series program	56.81
Other series program	23.06

(ii) For such uses other than in a PBS-distributed television program, the royalty fee shall be calculated by multiplying the following per-composition rates by the number of different compositions in that program:

	2003–2007
Feature	$9.29

make available to the Copyright Office, upon request, information concerning fees deposited in trust funds.

[57 FR 60954, Dec. 22, 1992. Redesignated and amended at 59 FR 23993, May 9, 1994]

§ 253.10 Cost of living adjustment.

(a) (a) On December 1, 2003, the Librarian of Congress shall publish in the FEDERAL REGISTER a notice of the change in the cost of living as determined by the Consumer Price Index (all consumers, all items) during the period from the most recent Index published prior to December 1, 2002, to the most recent Index published prior to December 1, 2003. On each December 1 thereafter the Librarian of Congress shall publish a notice of the change in the cost of living during the period from the most recent index published prior to the previous notice, to the most recent Index published prior to December 1, of that year.

(b) On the same date of the notices published pursuant to paragraph (a) of this section, the Librarian of Congress shall publish in the FEDERAL REGISTER a revised schedule of rates for § 253.5 which shall adjust those royalty amounts established in dollar amounts according to the change in the cost of living determined as provided in paragraph (a) of this section. Such royalty rates shall be fixed at the nearest dollar.

(c) The adjusted schedule of rates for § 253.5 shall become effective thirty days after publication in the FEDERAL REGISTER.

[57 FR 60954, Dec. 22, 1992. Redesignated and amended at 59 FR 23993, May 9, 1994; 59 FR 63042, Dec. 7, 1994; 63 FR 2145, Jan. 14, 1998; 67 FR 77173, Dec. 17, 2002]

§ 253.11 Notice of restrictions on use of reproductions of transmission programs.

Any public broadcasting entity which, pursuant to 17 U.S.C. 118, supplies a reproduction of a transmission program to governmental bodies or nonprofit institutions shall include with each copy of the reproduction a warning notice stating in substance that the reproductions may be used for a period of not more than seven days from the specified date of transmission, that the reproductions must be destroyed by the user before or at the end of such period, and that a failure to fully comply with these terms shall subject the body or institution to the remedies for infringement of copyright.

PART 254—ADJUSTMENT OF ROYALTY RATE FOR COIN-OPERATED PHONORECORD PLAYERS

Sec.

AUTHORITY: 17 U.S.C. 116, 801(b)(1).

§ 254.1 General.

This part 254 establishes the compulsory license fees for coin-operated phonorecord players beginning on January 1, 1982, in accordance with the provisions of 17 U.S.C. 116.

[45 FR 890, Jan. 5, 1981. Redesignated and amended at 59 FR 23993, May 9, 1994]

§ 254.2 Definition of coin-operated phonorecord player.

As used in this part, the term *coin-operated phonorecord player* is a machine or device that:

(a) Is employed solely for the performance of nondramatic musical works by means of phonorecords upon being activated by insertion of coins, currency, tokens, or other monetary units or their equivalent;

(b) Is located in an establishment making no direct or indirect charge for admission;

(c) Is accompanied by a list of the titles of all the musical works available for performance on it, which list is affixed to the phonorecord player or posted in the establishment in a prominent position where it can be readily examined by the public; and

(d) Affords a choice of works available for performance and permits the choice to be made by the patrons of the establishment in which it is located.

[60 FR 8198, Feb. 13, 1995]

(e) *Content.* A "Report of Use of Sound Recordings under Statutory License" shall be identified as such by prominent caption or heading, and shall include a preexisting subscription service's "Intended Playlists" for each channel and each day of the reported month. The "Intended Playlists" shall include a consecutive listing of every recording scheduled to be transmitted, and shall contain the following information in the following order:

(1) The name of the preexisting subscription service or entity;

(2) The channel;

(3) The sound recording title;

(4) The featured recording artist, group, or orchestra;

(5) The retail album title (or, in the case of compilation albums created for commercial purposes, the name of the retail album identified by the preexisting subscription service for purchase of the sound recording);

(6) The marketing label of the commercially available album or other product on which the sound recording is found;

(7) The catalog number;

(8) The International Standard Recording Code (ISRC) embedded in the sound recording, where available and feasible;

(9) Where available, the copyright owner information provided in the copyright notice on the retail album or other product (*e.g.*, following the symbol (P), that is the letter P in a circle) or, in the case of compilation albums created for commercial purposes, in the copyright notice for the individual sound recording;

(10) The date of transmission; and

(11) The time of transmission.

(f) *Signature.* Reports of Use shall include a signed statement by the appropriate officer or representative of the preexisting subscription service attesting, under penalty of perjury, that the information contained in the Report is believed to be accurate and is maintained by the preexisting subscription service in its ordinary course of business. The signature shall be accompanied by the printed or typewritten name and title of the person signing the Report, and by the date of signature.

(g) *Format.* Reports of Use should be provided on a standard machine-readable medium, such as diskette, optical disc, or magneto-optical disc, and should conform as closely as possible to the following specifications:

(1) ASCII delimited format, using pipe characters as delimiter, with no headers or footers;

(2) Carats should surround strings;

(3) No carats should surround dates and numbers;

(4) Dates should be indicated by: MM/DD/YYYY;

(5) Times should be based on a 24-hour clock: HH:MM:SS;

(6) A carriage return should be at the end of each line; and

(7) All data for one record should be on a single line.

(h) *Confidentiality.* Copyright owners, their agents and Collectives shall not disseminate information in the Reports of Use to any persons not entitled to it, nor utilize the information for purposes other than royalty collection and distribution, and determining compliance with statutory license requirements, without express consent of the preexisting subscription service providing the Report of Use.

(i) *Documentation.* All compulsory licensees shall, for a period of at least three years from the date of service or posting of the Report of Use, keep and retain a copy of the Report of Use. For reporting periods from February 1, 1996, through August 31, 1998, the preexisting subscription service shall serve upon all designated Collectives and retain for a period of three years from the date of transmission reports of use indicating which sound recordings were performed and the number of times each recording was performed, but is not required to produce full Reports of Use or Intended Playlists for those periods.

§ 370.3 Reports of use of sound recordings under statutory license for nonsubscription transmission services, preexisting satellite digital audio radio services, new subscription services and business establishment services.

(a) *General.* This section prescribes rules for the maintenance and delivery of reports of use of sound recordings under section 112(e) or section 114(d)(2)

of title 17 of the United States Code, or both, by nonsubscription transmission services, preexisting satellite digital audio radio services, new subscription services, and business establishment services.

(b) *Definitions.* (1) *Aggregate Tuning Hours* are the total hours of programming that a nonsubscription transmission service, preexisting satellite digital audio radio service, new subscription service or business establishment service has transmitted during the reporting period identified in paragraph (c)(3) of this section to all listeners within the United States over the relevant channels or stations, and from any archived programs, that provide audio programming consisting, in whole or in part, of eligible nonsubscription service, preexisting satellite digital audio radio service, new subscription service or business establishment service transmissions, less the actual running time of any sound recordings for which the service has obtained direct licenses apart from 17 U.S.C. 114(d)(2) or which do not require a license under United States copyright law. For example, if a nonsubscription transmission service transmitted one hour of programming to 10 simultaneous listeners, the nonsubscription transmission service's Aggregate Tuning Hours would equal 10. If 3 minutes of that hour consisted of transmission of a directly licensed recording, the nonsubscription transmission service's Aggregate Tuning Hours would equal 9 hours and 30 minutes. If one listener listened to the transmission of a nonsubscription transmission service for 10 hours (and none of the recordings transmitted during that time was directly licensed), the nonsubscription transmission service's Aggregate Tuning Hours would equal 10.

(2) An *AM/FM Webcast* is a transmission made by an entity that transmits an AM/FM broadcast signal over a digital communications network such as the Internet, regardless of whether the transmission is made by the broadcaster that originates the AM/FM signal or by a third party, provided that such transmission meets the applicable requirements of the statutory license set forth in 17 U.S.C. 114(d)(2).

(3) A *Collective* is a collection and distribution organization that is designated under one or both of the statutory licenses by decision of a Copyright Arbitration Royalty Panel under section 112(e)(4), section 112(e)(6), section 114(f)(1)(B), section 114(f)(1)(C)(ii), section 114(f)(2)(B), or section 114(f)(2)(C)(ii), or by an order of the Librarian of Congress pursuant to 17 U.S.C. 802(f), prior to the effective date of the Copyright Royalty and Distribution Reform Act of 2004, or by determination of the Copyright Royalty Judges under section 112(e)(4), section 112(e)(6), section 114(f)(1)(B), section 114(f)(1)(C)(ii), section 114(f)(2)(B), or section 114(f)(2)(C)(ii).

(4) A *new subscription service* is defined in § 370.1(b)(2)(iv).

(5) A *nonsubscription transmission service* is defined in § 370.1(b)(2)(iii).

(6) A *preexisting satellite digital audio radio service* is defined in § 370.1(b)(2)(ii).

(7) A *business establishment service* is defined in § 370.1(b)(2)(v).

(8) A *performance* is each instance in which any portion of a sound recording is publicly performed to a Listener by means of a digital audio transmission or retransmission (*e.g.*, the delivery of any portion of a single track from a compact disc to one Listener) but excluding the following:

(i) A performance of a sound recording that does not require a license (*e.g.*, the sound recording is not copyrighted);

(ii) A performance of a sound recording for which the service has previously obtained a license from the Copyright Owner of such sound recording; and

(iii) An incidental performance that both:

(A) Makes no more than incidental use of sound recordings including, but not limited to, brief musical transitions in and out of commercials or program segments, brief performances during news, talk and sports programming, brief background performances during disk jockey announcements, brief performances during commercials of sixty seconds or less in duration, or brief performances during sporting or other public events and

(B) Other than ambient music that is background at a public event, does not

contain an entire sound recording and does not feature a particular sound recording of more than thirty seconds (as in the case of a sound recording used as a theme song).

(9) *Play frequency* is the number of times a sound recording is publicly performed by a Service during the relevant period, without respect to the number of listeners receiving the sound recording. If a particular sound recording is transmitted to listeners on a particular channel or program only once during the two-week reporting period, then the play frequency is one. If the sound recording is transmitted 10 times during the two-week reporting period, then the play frequency is 10.

(10) A *Report of Use* is a report required under this section to be provided by a nonsubscription transmission service and new subscription service that is transmitting sound recordings pursuant to the statutory license set forth in section 114(d)(2) of title 17 of the United States Code or making ephemeral phonorecords of sound recordings pursuant to the statutory license set forth in section 112(e) of title 17 of the United States Code, or both.

(c) *Report of Use*—(1) *Separate reports not required.* A nonsubscription transmission service, preexisting satellite digital audio radio service or a new subscription service that transmits sound recordings pursuant to the statutory license set forth in section 114(d)(2) of title 17 of the United States Code and makes ephemeral phonorecords of sound recordings pursuant to the statutory license set forth in section 112(e) of title 17 of the United States Code need not maintain a separate Report of Use for each statutory license during the relevant reporting periods.

(2) *Content.* For a nonsubscription transmission service, preexisting satellite digital audio radio service, new subscription service or business establishment service that transmits sound recordings pursuant to the statutory license set forth in section 114(d)(2) of title 17 of the United States Code, or the statutory license set forth in section 112(e) of title 17 of the United States Code, or both, each Report of Use shall contain the following information, in the following order, for each sound recording transmitted during the reporting periods identified in paragraph (c)(3) of this section:

(i) The name of the nonsubscription transmission service, preexisting satellite digital audio radio service, new subscription service or business establishment service making the transmissions, including the name of the entity filing the Report of Use, if different;

(ii) The category transmission code for the category of transmission operated by the nonsubscription transmission service, preexisting satellite digital audio radio service, new subscription service or business establishment service:

(A) For eligible nonsubscription transmissions other than broadcast simulcasts and transmissions of nonmusic programming;

(B) For eligible nonsubscription transmissions of broadcast simulcast programming not reasonably classified as news, talk, sports or business programming;

(C) For eligible nonsubscription transmissions of non-music programming reasonably classified as news, talk, sports or business programming;

(D) For eligible nonsubscription transmissions by a non-Corporation for Public Broadcasting noncommercial broadcaster making transmissions covered by §§ 261.3(a)(2)(i) and (ii) of this title;

(E) For eligible nonsubscription transmissions by a non-Corporation for Public Broadcasting noncommercial broadcaster making transmissions covered by § 261.3(a)(2)(iii) of this title;

(F) For eligible nonsubscription transmissions by a small webcaster operating under an agreement published in the FEDERAL REGISTER pursuant to the Small Webcaster Settlement Act;

(G) For eligible nonsubscription transmissions by a noncommercial broadcaster operating under an agreement published in the FEDERAL REGISTER pursuant to the Small Webcaster Settlement Act;

(H) For transmissions other than broadcast simulcasts and transmissions of non-music programming made by an eligible new subscription service;

(I) For transmissions of broadcast simulcast programming not reasonably classified as news, talk, sports or business programming made by an eligible new subscription service;

(J) For transmissions of non-music programming reasonably classified as news, talk, sports or business programming made by an eligible new subscription service; and

(K) For eligible transmissions by a business establishment service making ephemeral recordings;

(iii) The featured artist;

(iv) The sound recording title;

(v) The International Standard Recording Code (ISRC) or, alternatively to the ISRC, the

(A) Album title; and

(B) Marketing label;

(vi) The actual total performances of the sound recording during the reporting period or, alternatively, the

(A) Aggregate Tuning Hours;

(B) Channel or program name; and

(C) Play frequency.

(3) *Reporting period.* A Report of Use shall be prepared for a two-week period (two periods of 7 consecutive days) for each calendar quarter of the year. The two weeks need not be consecutive, but both weeks must be completely within the calendar quarter.

(4) *Signature.* Reports of Use shall include a signed statement by the appropriate officer or representative of the service attesting, under penalty of perjury, that the information contained in the Report is believed to be accurate and is maintained by the service in its ordinary course of business. The signature shall be accompanied by the printed or typewritten name and the title of the person signing the Report, and by the date of the signature.

(5) *Confidentiality.* Copyright owners, their agents and Collectives shall not disseminate information in the Reports of Use to any persons not entitled to it, nor utilize the information for purposes other than royalty collection and distribution, without consent of the service providing the Report of Use.

(6) *Documentation.* A Service shall, for a period of at least three years from the date of service or posting of a Report of Use, keep and retain a copy of the Report of Use.

(d) *Format and delivery*—(1) *Electronic format only.* Reports of use must be maintained and delivered in electronic format only, as prescribed in paragraphs (d)(2) through (8) of this section. A hard copy report of use is not permissible.

(2) *ASCII text file delivery; facilitation by provision of spreadsheet templates.* All report of use data files must be delivered in ASCII format. However, to facilitate such delivery, SoundExchange shall post and maintain on its Internet Web site a template for creating a report of use using Microsoft's Excel spreadsheet and Corel's Quattro Pro spreadsheet and instruction on how to convert such spreadsheets to ASCII text files that conform to the format specifications set forth below. Further, technical support and cost associated with the use of spreadsheets is the responsibility of the service submitting the report of use.

(3) *Delivery mechanism.* The data contained in a report of use may be delivered by File Transfer Protocol (FTP), e-mail, CD–ROM, or floppy diskette according to the following specifications:

(i) A service delivering a report of use via FTP must obtain a username, password and delivery instructions from SoundExchange. SoundExchange shall, by no later than December 5, 2006, post on a publicly available portion of its Web site instructions for applying for a username, password and delivery instructions. SoundExchange shall have 15 days from date of request to respond with a username, password and delivery instructions.

(ii) A service delivering a report of use via e-mail shall append the report as an attachment to the e-mail. The main body of the e-mail shall identify:

(A) The full name and address of the service;

(B) The contact person's name, telephone number and e-mail address;

(C) The start and end date of the reporting period;

(D) The number of rows in the data file. If the report of use is a file using headers, counting of the rows should begin with row 15. If the report of use is a file without headers, counting of the rows should begin with row 1; and

(E) The name of the file attached.

(iii) A service delivering a report of use via CD–ROM must compress the reporting data to fit onto a single CD–ROM per reporting period. Each CD–ROM shall be submitted with a cover letter identifying:

(A) The full name and address of the service;

(B) The contact person's name, telephone number and e-mail address;

(C) The start and end date of the reporting period;

(D) The number of rows in the data file. If the report of use is a file using headers, counting of the rows should begin with row 15. If the report of use is a file without headers, counting of the rows should begin with row 1; and

(E) The name of the file attached.

(iv) A service delivering a report of use via floppy diskette must compress the reporting data to fit onto a single floppy diskette per reporting period. Each floppy diskette must measure 3.5 inches in diameter and be formatted using MS/DOS. Each floppy diskette shall be submitted with a cover letter identifying:

(A) The full name and address of the service;

(B) The contact person's name, telephone number and e-mail address;

(C) The start and end date of the reporting period;

(D) The number of rows in the data file. If the report of use is a file using headers, counting of the rows should begin with row 15. If the report of use is a file without headers, the counting of the rows should begin with row 1; and

(E) The name of the file attached.

(4) *Delivery address.* Reports of use shall be delivered to SoundExchange at the following address: SoundExchange, Inc., 1330 Connecticut Avenue, NW., #330, Washington, DC 20036; (Phone) (202) 828–0120; (Facsimile) (202) 833–2141; (E-mail) *info@soundexchange.com.* SoundExchange shall forward electronic copies of these reports of use to all other collectives defined in this section.

(5) *File naming.* Each data file contained in a report of use must be given a name by the service followed by the start and end date of the reporting period. The start and end date must be separated by a dash and in the format of day, month and year (YYYYMMDD). Each file name must end with the file type extension of ".txt". (*Example:* AcmeMusicCo20050101–20050331.txt).

(6) *File type and compression.* (i) All data files must be in ASCII format.

(ii) A report of use must be compressed in one of the following zipped formats:

(A) .zip—generated using utilities such as WinZip and/or UNIX zip command;

(B) .Z—generated using UNIX compress command; or

(C) .gz—generated using UNIX gzip command.

Zipped files shall be named in the same fashion as described in paragraph (d)(5) of this section, except that such zipped files shall use the applicable file extension compression name described in this paragraph (d)(6).

(7) *Files with headers.* (i) If a service elects to submit files with headers, the following elements, in order, must occupy the first 14 rows of a report of use:

(A) Name of service;

(B) Name of contact person;

(C) Street address of the service;

(D) City, state and zip code of the service;

(E) Telephone number of the contact person;

(F) E-mail address of the contact person;

(G) Start of the reporting period (YYYYMMDD);

(H) End of the reporting period (YYYYMMDD);

(I) Report generation date (YYYYMMDD);

(J) Number of rows in data file, beginning with 15th row;

(K) Text indicator character;

(L) Field delimiter character;

(M) Blank line; and

(N) Report headers (Featured Artist, Sound Recording Title, etc.).

(ii) Each of the rows described in paragraphs (d)(7)(i)(A) through (F) of this section must not exceed 255 alphanumeric characters. Each of the rows described in paragraphs (d)(7)(i)(G) through (I) of this section should not exceed eight alphanumeric characters.

(iii) Data text fields, as required by paragraph (c) of this section, begin on row 15 of a report of use with headers. A carriage return must be at the end of

each row thereafter. Abbreviations within data fields are not permitted.

(iv) The text indicator character must be unique and must never be found in the report's data content.

(v) The field delimiter character must be unique and must never be found in the report's data content. Delimiters must be used even when certain elements are not being reported; in such case, the service must denote the blank data field with a delimiter in the order in which it would have appeared.

(8) *Files without headers.* If a service elects to submit files without headers, the following format requirements must be met:

(i) ASCII delimited format, using pipe (|) characters as delimiters, with no headers or footers;

(ii) Carats (^) should surround strings;

(iii) No carats (^) should surround dates and numbers;

(iv) A carriage return must be at the end of each line;

(v) All data for one record must be on a single line; and

(vi) Abbreviations within data fields are not permitted.

§ 370.4 Reports of use of sound recordings under statutory license prior to April 1, 2004.

(a) *General.* This section prescribes the rules which govern reports of use of sound recordings by nonsubscription transmission services, preexisting satellite digital audio radio services, new subscription services, and business establishment services under section 112(e) or section 114(d)(2) of title 17 of the United States Code, or both, for the period from October 28, 1998, through March 31, 2004.

(b) *Reports of use.* Reports of use filed by preexisting subscription services for transmissions made under 17 U.S.C. 114(f) pursuant to § 370.2 for use of sound recordings under section 112(e) or section 114(d)(2) of title 17 of the United States Code, or both, for the period October 28, 1998, through March 31, 2004, shall serve as the reports of use for nonsubscription transmission services, preexisting satellite digital audio radio services, new subscription services, and business establishment services for their use of sound recordings under section 112(e) or section 114(d)(2) of title 17 of the United States Code, or both, for the period from October 28, 1998, through March 31, 2004.

(c) *Royalty Logic Inc.* If, in accordance with § 261.4(c) of this title, any Copyright Owners or Performers have provided timely notice to SoundExchange of an election to receive royalties from Royalty Logic, Inc. (RLI) as a Designated Agent for the period October 28, 1998, through December 31, 2002, or any portion thereof, SoundExchange shall provide to RLI copies of the Reports of Use described in paragraph (b) of this section for that period or the applicable portion thereof.

§ 370.5 Designated collection and distribution organizations for reports of use of sound recordings under statutory license.

(a) *General.* This section prescribes rules under which reports of use shall be collected and distributed under section 114(f) of title 17 of the United States Code, and under which reports of such use shall be kept and made available.

(b) *Definitions.* (1) A *Collective* is a collection and distribution organization that is designated under the statutory license by decision of a Copyright Arbitration Royalty Panel under section 114(f)(1)(B) or section 114(f)(1)(C)(ii), or by an order of the Librarian of Congress pursuant to 17 U.S.C. 802(f), prior to the effective date of the Copyright Royalty and Distribution Reform Act of 2004, or by determination of the Copyright Royalty Judges under section 114(f)(1)(B) or section 114(f)(1)(C)(ii).

(2) A *Service* is an entity engaged in the digital transmission of sound recordings pursuant to section 114(f) of title 17 of the United States Code.

(c) *Notice of Designation as Collective under Statutory License.* A Collective shall file with the Licensing Division of the Copyright Office and post and make available online a "Notice of Designation as Collective under Statutory License," which shall be identified as such by prominent caption or heading, and shall contain the following information:

SUBCHAPTER E—RATE AND TERMS FOR STATUTORY LICENSES

PART 380—RATES AND TERMS FOR CERTAIN ELIGIBLE NONSUBSCRIPTION TRANSMISSIONS, NEW SUBSCRIPTION SERVICES AND THE MAKING OF EPHEMERAL REPRODUCTIONS

Sec.

AUTHORITY: 17 U.S.C. 112(e), 114(f), 804(b)(3).

SOURCE: 72 FR 24110, May 1, 2007, unless otherwise noted.

§ 380.1 General.

(a) *Scope.* This part 380 establishes rates and terms of royalty payments for the public performance of sound recordings in certain digital transmissions by Licensees in accordance with the provisions of 17 U.S.C. 114, and the making of Ephemeral Recordings by Licensees in accordance with the provisions of 17 U.S.C. 112(e), during the period January 1, 2006, through December 31, 2010.

(b) *Legal compliance.* Licensees relying upon the statutory licenses set forth in 17 U.S.C. 112 and 114 shall comply with the requirements of those sections, the rates and terms of this part, and any other applicable regulations.

(c) *Relationship to voluntary agreements.* Notwithstanding the royalty rates and terms established in this part, the rates and terms of any license agreements entered into by Copyright Owners and digital audio services shall apply in lieu of the rates and terms of this part to transmission within the scope of such agreements.

§ 380.2 Definitions.

For purposes of this part, the following definitions shall apply:

(a) *Aggregate Tuning Hours* (ATH) means the total hours of programming that the Licensee has transmitted during the relevant period to all Listeners within the United States from all channels and stations that provide audio programming consisting, in whole or in part, of eligible nonsubscription transmissions or noninteractive digital audio transmissions as part of a new subscription service, less the actual running time of any sound recordings for which the Licensee has obtained direct licenses apart from 17 U.S.C. 114(d)(2) or which do not require a license under United States copyright law. By way of example, if a service transmitted one hour of programming to 10 simultaneous Listeners, the service's Aggregate Tuning Hours would equal 10. If 3 minutes of that hour consisted of transmission of a directly licensed recording, the service's Aggregate Tuning Hours would equal 9 hours and 30 minutes. As an additional example, if one Listener listened to a service for 10 hours (and none of the recordings transmitted during that time was directly licensed), the service's Aggregate Tuning Hours would equal 10.

(b) *Broadcaster* is a type of Commercial Webcaster or Noncommercial Webcaster that owns and operates a terrestial AM or FM radio station that is licensed by the Federal Communications Commission.

(c) *Collective* is the collection and distribution organization that is designated by the Copyright Royalty Judges. For the 2006–2010 license period, the Collective is SoundExchange, Inc.

(d) *Commercial Webcaster* is a Licensee, other than a Noncommercial Webcaster, that makes eligible digital audio transmissions.

(e) *Copyright Owners* are sound recording copyright owners who are entitled to royalty payments made under this part pursuant to the statutory licenses under 17 U.S.C. 112(e) and 114(f).

(f) *Ephemeral Recording* is a phonorecord created for the purpose of facilitating a transmission of a public performance of a sound recording under a statutory license in accordance with 17 U.S.C. 114(f), and subject to the limitations specified in 17 U.S.C.112(e).

(g) *Licensee* is a person that has obtained a statutory license under 17 U.S.C. 114, and the implementing regulations, to make eligible nonsubscription transmissions, or noninteractive digital audio transmissions as part of a new subscription service (as defined in 17 U.S.C. 114(j)(8)), or that has obtained a statutory license under 17 U.S.C. 112(e), and the implementing regulations, to make Ephemeral Recordings for use in facilitating such transmissions.

(h) *Noncommercial Webcaster* is a Licensee that makes eligible digital audio transmissions and:

(1) Is exempt from taxation under section 501 of the Internal Revenue Code of 1986 (26 U.S.C. 501),

(2) Has applied in good faith to the Internal Revenue Service for exemption from taxation under section 501 of the Internal Revenue Code and has a commercially reasonable expectation that such exemption shall be granted, or

(3) Is operated by a State or possession or any governmental entity or subordinate thereof, or by the United States or District of Columbia, for exclusively public purposes.

(i) *Performance* is each instance in which any portion of a sound recording is publicly performed to a Listener by means of a digital audio transmission (e.g., the delivery of any portion of a single track from a compact disc to one Listener) but excluding the following:

(1) A performance of a sound recording that does not require a license (e.g., a sound recording that is not copyrighted);

(2) A performance of a sound recording for which the service has previously obtained a license from the Copyright Owner of such sound recording; and

(3) An incidental performance that both:

(i) Makes no more than incidental use of sound recordings including, but not limited to, brief musical transitions in and out of commercials or program segments, brief performances during news, talk and sports programming, brief background performances during disk jockey announcements, brief performances during commercials of sixty seconds or less in duration, or brief performances during sporting or other public events and

(ii) Other than ambient music that is background at a public event, does not contain an entire sound recording and does not feature a particular sound recording of more than thirty seconds (as in the case of a sound recording used as a theme song).

(j) *Performers* means the independent administrators identified in 17 U.S.C. 114(g)(2)(B) and (C) and the parties identified in 17 U.S.C. 114(g)(2)(D).

(k) *Qualified Auditor* is a Certified Public Accountant.

(l) *Side Channel* is a channel on the website of a broadcaster which channel transmits eligible transmissions that are not simultaneously transmitted over the air by the broadcaster.

§ 380.3 Royalty fees for the public performance of sound recordings and for ephemeral recordings.

(a) Royalty rates and fees for eligible digital transmissions of sound recordings made pursuant to 17 U.S.C. 114, and the making of ephemeral recordings pursuant to 17 U.S.C. 112 are as follows:

(1) *Commercial Webcasters:* (i) The per-performance fee for 2006–2010: For all digital audio transmissions, including simultaneous digital audio retransmissions of over-the-air AM or FM radio broadcasts, a Commercial Webcaster will pay a performance royalty of: $.0008 per performance for 2006, $.0011 per performance for 2007, $.0014 per performance for 2008, $.0018 per performance for 2009, and $.0019 per performance for 2010. The royalty payable under 17 U.S.C. 112 for any reproduction of a phonorecord made by a Commercial Webcaster during this license period and used solely by the Commercial Webcaster to facilitate transmissions for which it pays royalties as and when provided in this section is deemed to be included within such royalty payments.

(ii) Optional transitional Aggregate Tuning Hour fee for 2006–2007: The following Aggregate Tuning Hours (ATH) usage rate calculation options, in lieu of the per-performance fee, are available for the transition period of 2006 and 2007:

	Other programming	Broadcast simulcast programming	Non-music programming
Prior Fees	$0.0117 per ATH	$0.0088 per ATH	$0.000762 per ATH.
2006	$0.0123 per ATH	$0.0092 per ATH	$0.0008 per ATH.
2007	$0.0169 per ATH	$0.0127 per ATH	$0.0011 per ATH.

(iii) "Non-Music Programming" is defined as Broadcaster programming reasonably classified as news, talk, sports or business programming; "Broadcast Simulcast Programming" is defined as Broadcaster simulcast programming not reasonably classified as news, talk, sports or business programming; and "Other Programming" is defined as programming other than either Broadcaster simulcast programming or Broadcaster programming reasonably classified as news, talk, sports or business programming.

(2) *Noncommercial Webcasters:* (i) For all digital audio transmissions totaling not more than 159,140 Aggregate Tuning Hours (ATH) in a month, including simultaneous digital audio retransmissions of over-the-air AM or FM radio broadcasts, a Noncommercial Webcaster will pay an annual per channel or per station performance royalty of $500 in 2006, 2007, 2008, 2009 and 2010.

(ii) For all digital audio transmissions totaling in excess of 159,140 Aggregate Tuning Hours (ATH) in a month, including simultaneous digital audio retransmissions of over-the-air AM or FM radio broadcasts, a Noncommercial Webcaster will pay a performance royalty of: $.0008 per performance for 2006, $.0011 per performance for 2007, $.0014 per performance for 2008, $.0018 per performance for 2009, and $.0019 per performance for 2010.

(iii) The following Aggregate Tuning Hours (ATH) usage rate calculation options, in lieu of the per-performance fee, are available for the transition period of 2006 and 2007:

	Other programming	Broadcast simulcast programming	Non-music programming
Prior Fees	$0.0117 per ATH	$0.0088 per ATH	$0.000762 per ATH.
2006	$0.0123 per ATH	$0.0092 per ATH	$0.0008 per ATH.
2007	$0.0169 per ATH	$0.0127 per ATH	$0.0011 per ATH.

(iv) "Non-Music Programming" is defined as Broadcaster programming reasonably classified as news, talk, sports or business programming; "Broadcast Simulcast Programming" is defined as Broadcaster simulcast programming not reasonably classified as news, talk, sports or business programming; and "Other Programming" is defined as programming other than either Broadcaster simulcast programming or Broadcaster programming reasonably classified as news, talk, sports or business programming.

(v) The royalty payable under 17 U.S.C. 112 for any reproduction of a phonorecord made by a Noncommercial Webcaster during this license period and used solely by the Noncommercial Webcaster to facilitate transmissions for which it pays royalties as and when provided in this section is deemed to be included within such royalty payments.

(b) *Minimum fee.* Each Commercial Webcaster and Noncommercial Webcaster will pay an annual, nonrefundable minimum fee of $500 for each calendar year or part of a calendar year of the license period during which they are Licensees pursuant to licenses under 17 U.S.C. 114. This annual minimum fee is payable for each individual channel and each individual station maintained by Commercial Webcasters and Noncommercial Webcasters and is also payable for each individual Side Channel maintained by

Broadcasters who are Licensees. The minimum fee payable under 17 U.S.C. 112 is deemed to be included within the minimum fee payable under 17 U.S.C. 114. Upon payment of the minimum fee, the Licensee will receive a credit in the amount of the minimum fee against any additional royalty fees payable in the same calendar year.

[72 FR 24110, May 1, 2007, as amended at 72 FR 29886, May 30, 2007]

§ 380.4 Terms for making payment of royalty fees and statements of account.

(a) *Payment to the Collective.* A Licensee shall make the royalty payments due under § 380.3 to the Collective.

(b) *Designation of the Collective.* (1) Until such time as a new designation is made, SoundExchange, Inc., is designated as the Collective to receive statements of account and royalty payments from Licensees due under § 380.3 and to distribute such royalty payments to each Copyright Owner and Performer, or their designated agents, entitled to receive royalties under 17 U.S.C. 112(e) or 114(g).

(2) If SoundExchange, Inc. should dissolve or cease to be governed by a board consisting of equal numbers of representatives of Copyright Owners and Performers, then it shall be replaced by a successor Collective upon the fulfillment of the requirements set forth in paragraph (b)(2)(i) of this section.

(i) By a majority vote of the nine Copyright Owner representatives and the nine Performer representatives on the SoundExchange board as of the last day preceding the condition precedent in paragraph (b)(2) of this section, such representatives shall file a petition with the Copyright Royalty Board designating a successor to collect and distribute royalty payments to Copyright Owners and Performers entitled to receive royalties under 17 U.S.C. 112(e) or 114(g) that have themselves authorized such Collective.

(ii) The Copyright Royalty Judges shall publish in the FEDERAL REGISTER within 30 days of receipt of a petition filed under paragraph (b)(2)(i) of this section an order designating the Collective named in such petition.

(c) *Monthly payments.* A Licensee shall make any payments due under § 380.3 by the 45th day after the end of each month for that month, except that payments due under § 380.3 for the period beginning January 1, 2006, through the last day of the month in which the Copyright Royalty Judges issue their final determination adopting these rates and terms shall be due 45 days after the end of such period. All monthly payments shall be rounded to the nearest cent.

(d) *Minimum payments.* A Licensee shall make any minimum payment due under § 380.3(b) by January 31 of the applicable calendar year, except that:

(1) Payment due under § 380.3(b) for 2006 and 2007 shall be due 45 days after the last day of the month in which the Copyright Royalty Judges issue their final determination adopting these rates and terms.

(2) Payment for a Licensee that has not previously made eligible nonsubscription transmissions, noninteractive digital audio transmissions as part of a new subscription service or Ephemeral Recordings pursuant to the licenses in 17 U.S.C. 114 and/or 17 U.S.C. 112(e) shall be due by the 45th day after the end of the month in which the Licensee commences to do so.

(e) *Late payments and statements of account.* A Licensee shall pay a late fee of 1.5% per month, or the highest lawful rate, whichever is lower, for any payment and/or statement of account received by the Collective after the due date. Late fees shall accrue from the due date until payment is received by the Collective.

(f) *Statements of account.* Any payment due under § 380.3 shall be accompanied by a corresponding statement of account. A statement of account shall contain the following information:

(1) Such information as is necessary to calculate the accompanying royalty payment;

(2) The name, address, business title, telephone number, facsimile number (if any), electronic mail address and other contact information of the person to be contacted for information or questions concerning the content of the statement of account;

(3) The handwritten signature of: